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HISTORICAL & CULTURAL BACKGROUND OF CHINA'S WESTERNIZATION

By JAMES A. RABBITT

"Only those who understand China's history and geography as a whole can properly evaluate the events of the twentieth century."
Cressey.

The emphasis placed by Cressey on the significance of China's history and geography reflects the ideas of Theodore Roosevelt who is credited with the statement that the next stage in the history of progress is to be in the Western Pacific.

It is not within the scope of our survey* to master the history and geography of China as suggested by Cressey, as our purpose is not to evaluate the events of the twentieth century but rather to obtain a comprehensive picture of China's Post-War Industrial Potential in which the historical background of the people is an important factor for industrialization. The geography is likewise important in the evaluation of the mineral resources on which China's industrial potential rests.

Historical Background

The landscape of China reflects the age not only of centuries of time but of centuries of despoliation to support such a vast population living intensely with a continuity of culture borrowed from its own past. The pattern of this culture was revived by Confucius

2,500 years ago from the ancient lore of the same land and people of 2,000 years prior to his time.

Obviously we cannot review China's history, but inasmuch as the Confucian pattern of life in China has been so often referred to as the chief obstacle to Westernization and modern industrialization we shall give a brief outline of the background and substance of the Confucian philosophy.

As early as 2600 B.C. the Ch'ins were organized into 10,000 Tsiens (district centers, or county seats) by the King, Huang-Ti. This organization came from the western frontier. These Tsiens were composed of a number of villages made up of cooperating families under the guidance of a patriarch selected for his age and many male children and grand-children. Names of these Tsiens like San Chia (Three Families) and Pa Chi Tas'un (Eight Families Village) disclose their origin.

These Tsiens were held together by a common philosophy or religion and a King or ruler who was also the high priest receiving tribute for keeping peace with the Gods. There is little doubt about the nature of the religion or cult being based on ancestor worship with a touch of phallic for strength, procreation and self-preservation in a vast and varied land subject to frequent droughts, floods, and raids by bandit hordes.

These families were a strong mixture of two distinct types—nomads and gardeners. This mixture of two fundamental aptitudes, usually antagonistic, is discernable in the Chinese of today.

This duality of character is a key to rationalizing the paradox of the peace-loving and family-loving Chinese peasant-farmer who will, on occasion, recover a secret weapon to defend his village, or join forces with whatever cause is handy to the interests of his

family or friends. It is also an explanation of his indifference to all kinds of climate and his ability to travel over large areas ever keeping his heart in his own family and village.

At the time of Huang Ti, China consisted only of what is now S.W. Shantung and N.E. Hopei. By the eighth century B.C. the title of Emperor was used instead of King and the territory had expanded to include what are now the Provinces of Shantung, Hopei, Kiangsu, Anhwei, Honan, and Shansi, practically the same as it was in Confucius's day. Confucius was a native of the Province of Lu which is the Southern Shantung of today, and in the form of analects, he gave refined expression to the ancient laws of ancestor worship, adulterating them with much ceremony suitable to the court for Empire rule.

Through Mencius and other commentators, the original virtues of filial piety were interpreted to reach the so-called common man of all time in China.

Filial piety of the Chinese goes far beyond the occidental interpretation of this virtue by reaching down to the relatives of the "ninth degree removed". This fits into the original scheme of Huang-Ti, of honors for men of many male children and grand-children and is a guide for fairly modern Chinese officials to fill all offices under them with their own relatives. Hence the prevalence of nepotism in China.

This also explains why the Chinese unit for centuries has been the family and what the world has known as China actually has been simply an aggregate of millions of family communities. According to Lyde, "The family provided the full strength as a social unit; honoured in proportion to its numbers, especially of males; and all families co-operated in the semi-political unit of the village." The result was a measure of social solidarity as remarkable as its political weakness; and in a vast land of complicated topography and difficult

* The author's Survey of China's Mineral Resources will be published in the next issue of this Review. In previous issues studies by Mr. Rabbitt appeared which dealt with the problem of the industrialization of China. (Vide our issues of October 8, 15, 22 and September 17 & 24.)

movement, even an imperial patriarch was forced to tolerate local autonomy. In the end the unit of the family group in its village home became supreme, depending for its survival on its industry and the honesty of its individuals; they wanted nothing from the outside, still less did they feel any 'patriotic' or 'national' obligations to that outside.

It is obvious that Confucianism, being a philosophy with its roots within the psychology of the Chinese themselves, is popular because it suits their native genius. From a modern industrial point of view its very success has created a barrier to what is now called progress. Dr. Lin Yutang has, in his much publicized book, "The Importance of Living", scoffed at the accidental nervous and complex life of industry.

On the other hand, many modern Chinese confess that the Confucian emphasis on the "past" through ancestor worship and the "present" through the art of living—has been a mixed blessing for China.

It would be beyond the scope of this article to cite all the phases of Chinese character which are traceable to the Confucian static philosophy of the "happy mean" that is antagonistic to the building of a modern state.

Reduced to a basic formula, the philosophy on which the Confucian pattern rests, resolves itself into placing such importance on the past and present as to leave nothing for the future excepting offspring. As a result, the land is literally so old and worn out that it is impossible to determine the exact nature of the original flora in what was ancient China. Cressey says "the most significant element in the Chinese landscape is not the soil or vegetation or the climate, but the people."

Geography

Cressey has given a brief picture of China's geography in the following paragraph.

"Within the territory of China exist contrasts as great as may be found in any land on Earth. Glacier-clad mountains, parched deserts, broad prairies, and sub-tropical forests have helped to create a diversified setting for the Chinese drama. No single panorama can include all the many elements, climatic or human, which play their part. North China is semiarid and raises millet, kaoliang, and wheat, while in the humid South people live on rice. Everywhere, however, there is a characteristic intensity of land use and nearness to nature. Houses may be made of pounded earth or of split bamboo, hills may be of bare loess or covered with rich verdure, travel may be in lumbering two-wheeled carts or by canal boats, but everywhere there are industrious people."

Area and Population

Using the people as a focusing point for visualizing China as a unit, it is necessary to concentrate our attention on China Proper, which consists of only 1,532,800 square miles, as against the so-called Greater China of 4,278,352 square miles.

In distribution, China's population, approximately three and a half times that of the United States, is in an overall area of one half that of the United States, but owing to the lack of general transportation, it is further congested to abnormal density in the eastern section.

Cressey calls attention to the pre-war division of population by drawing a line from southernmost Yunnan to northernmost Heilungkiang, to the west of which there were two and a half million square miles and seventeen million people, while to the east there were one and three-quarter million square miles and 470 million people.

Owing to the great diversity of China's physical geography and the lack of transportation and restricted arable land, the problem of population density is still further accentuated when we consider specific areas.

This density of population follows closely the three great river basins, or plains; the Hwang-ho (Yellow River) Basin in the North, the Yangtze Kiang which, before entering the Gorges in the west flows through the Red Basin and later the Yangtze Central Basin, and the Sikiang Basin in the South, in contra-distinction to the dividing mountains or plateaus which separate these three great population supporting

areas of China, which, excluding Manchuria, are popularly referred to as North China, Central China, and South China.

The Red Basin occupies the greater part of the Province of Szechwan. Near the eastern borders of the Province, the mountains of the north approach close to the mountains of the south, and the Yangtze River passes between them through the Great Gorge. Into this Basin migrated during the war years what has been estimated as upward of 200 million people but most of them have returned to the coastal provinces in 1946.

This physiography with its poor North-South communications between the three principal subdivisions that has helped the Chinese, with the poorest kind of equipment, to resist a modern invading army is the same physiography that has handicapped China for centuries and helped to create a sectionalism that has made it difficult for them to develop unity.

The Problem of Industrialization

The battle of resistance waged against Japan for eight years has given the Chinese a spiritual mobilization which has been lacking in past centuries. The war has acted almost as a medium to force the Chinese to industrialize on a pattern similar to the industrial revolution which took place in Russia between World War I and World War II, although not on the same scale. There are greater problems to solve and obstacles to overcome towards China's industrialization, particularly in relation to the resources of essential materials and the surmounting of ancient cultural inhibitions.

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THE TRADE OF HONGKONG FOR THE FIRST NINE MONTHS OF 1947

For the months January to September 1947 Hongkong's imports of merchandise totalled \$1,054.6 million and exports of merchandise totalled \$852.8 million, aggregating \$1,907.4 million. The monthly average of imports was 117 million, and the monthly export average 95 million. (In 1946 imports for Jan./Sept. amounted to 631.6 million and exports to 516.4 million, totalling 1,148 million).

The trade of Hongkong for the five prewar years of 1933 through 1937 for the period January to September amounted to:—

	(in millions of H.K.\$)				
	1933	1934	1935	1936	1937
Imports	380	290	270	320	450
Exports	300	230	190	240	330

The 5 years average for the first nine months of 1933/37 amounted to 342 million of imports and 258 million of exports.

These figures may be compared with the figures above for Jan./Sept. 1947 trade of Hongkong.

The general price level has increased after the war against the prewar level by about 250%. (This figure is based on wholesale price indices as compiled by a local statistical authority). If the prewar figures are adjusted to 1947 costs the prewar averages would correspond to approx. 1,197 million of imports and 906 million of exports. These adjusted trade figures (provided of course that the 250% general wholesale price appreciation is accepted) would suggest that Hongkong's trade for the first 9 months of 1947 has reached about the same level as maintained before the war (basis: average trade figures for Jan./Sept. 1933 through 1937).

To judge by shipping returns of the Colony foreign trade has not yet returned to prewar standards but the steady improvement and expansion have been noted month by month.

Hongkong's recorded treasure trade in 1947 was large but still lags behind prewar figures. The aggregate foreign trade of Hongkong for Jan./Sept. 1947 (merchandise and treasure) resulted in: \$1,104.3

million of imports, \$946.3 million of exports, making a total of \$2,050.6 million. Unrecorded treasure trade has been considerable during this year. Unrecorded imports and exports of commercial cargo, although estimated to be less than 10% of the total turnover, have also to be taken into consideration when studying trade figures of the Colony.

PRINCIPAL TRADING PARTNERS IN 1947

The British Commonwealth and Empire accounted for the largest amount of imports of Hongkong, viz. \$309 million or about 30% of total imports.

China came next with about \$301.3 million or less than 30%. The China imports figures are arrived at as follows: recorded imports from China \$270.8 million plus imports from Kwangchow-wan \$5 million, plus 50% of imports registered here as having come from Macao \$25.5 million, making a total of \$301.3 million.

The United States with \$215.2 million were, after the Empire and China, the Colony's largest supplier of goods accounting for 20% of total imports. United Kingdom imports came next with \$113.1 million or about 11%. British Malaya was following with \$68.7 million or over 6% of the total. Siam followed with \$39.1 million or almost 4%.

The other principal importing countries were (in millions of H.K.\$):—Australia 37.6; India 36.4; Belgium 34.7; Macao (after deducting 50% as originating in the Portuguese Colony's Chinese hinterland, and crediting this amount to China) 25.5; Japan (only for the period June through Sept., as previous months were not recorded here in the trade returns but were classified as "Govt. sponsored cargo") 20.3; Burma 15.6; Indochina 15.3; Canada 14.1; Switzerland 11.7; and Philippines 11.7.

Exports:

The British Empire also led in exports from Hongkong with \$257 million or 30% of the total. China came next with an aggregate total of \$235.3 million, namely: recorded exports from here to China \$212.3 million, plus exports to Kwangchow-wan 1.5 million, plus 50% of exports to Macao—as it is certain that this amount has been shipped to the Portuguese Colony in transit for its Chinese hinterland—\$21.5 million, making a total of \$235.3 million.

British Malaya was, after China, the Colony's best customer purchasing goods to a value of \$165.6 million or almost 20% of total exports. The United States followed with \$100 million or 12%. Siam was next with \$61.8 million or over 7%. Then came the Philippines with \$38 million or over 4%. The United Kingdom followed with \$28.3 million or over 3%.

The other principal countries where Hongkong shipped commercial goods to during Jan./Sept. 1947 were (in millions of H.K.\$):—Netherlands E. Indies 24.5; India 19.1; France 16.4; Holland 17.4; Indochina 13.8; Italy 12.

TRADING PARTNERS BEFORE THE WAR

Compared to pre-war trade returns, Hongkong's trading partners have changed to some extent; while today the Empire is leading in imports and exports before the war this Colony's imports from Empire countries only averaged 13 to 16% of total imports, and 17 to 19% of total exports from here to Empire countries.

China was then Hongkong's leading trading partner supplying 33—34% of all imports into the Colony and buying 40 to 42% of all exports from the Colony. The decline of China as a buyer is well expressed in the pre-war percentage of about 41% compared to the 1947 percentage of only 25%.

Principal importing countries before the war were (after China): (in percent of the total imports):—Japan 10—12; Netherlands Indies 7—9; U.S.A. 7—8; U.K. 6 to 7; Indochina 5—6; Siam 4—6; Germany 5; Malaya 1½; India 1; Philippines less than 1.

Principal countries buying commercial goods in Hongkong before the war were (after China): (in percent of total exports from Hongkong):—U.S.A. 8—9; Malaya 7—8; Japan 4—5; U.K. 4 to 5; Indochina 5; Siam 3—4; N.E.I. 3; Philippines 2—3; Germany less than 1.

In 1947 Hongkong imported from Europe (excluding the U.K. and the U.S.S.R.) goods valued \$93.2 million and exported to Europe merchandise valued \$66.3 million. The importance of European countries as trading partners of Hongkong has been on the increase during this year and this trade shows distinct signs for further and large expansion. Europe as a supplier ranked fourth after China, U.S. and U.K.; Europe also ranked fourth as a buyer after China, Malaya and U.S.

Imports and Exports from Europe
(for Jan./Sept. 1947; in millions of H.K.\$)

	Imports	Exports
Belgium	34.7	9.2
France	9.8	16.4
Netherlands	8.2	17.4
Italy	9.0	12.0
Norway	13.6	2.3
Switzerland	11.7	0.2
Sweden	4.9	5.6
Denmark	0.6	0.9
Spain	0.1	1.2
Germany	—	1.0
Portugal	0.6	0.1
	93.2	66.3

The share of Europe in the Colony's trade was, however, larger as the above figures suggest as a number of European countries notably Austria and Czechoslovakia were not listed separately but under the heading of "Other Countries" which show \$11.1 million of imports and \$17.2 million of exports.

Trade with the Soviet Union was relatively small; \$1.6 million worth of goods were imported from the U.S.S.R., and \$4.8 million worth of cargo was shipped from here to the U.S.S.R.

TRADING WITH HARD CURRENCY COUNTRIES

Trade with the U.S., the principal hard currency country in the world, resulted

in a deficit of \$115 million which amount has been fully covered by remittances from Chinese in the U.S. Only about 15% of American imports were retained in the Colony the rest was re-exported to China and other Far Eastern markets.

Trade with Canada resulted in a deficit of \$12 million which amount also was fully covered by remittances from Chinese in the Dominion.

Switzerland was only exporting goods to Hongkong showing but little interest for produce and manufactured goods offered here for sale. The trade deficit amounted to \$11½ million.

Trade with other hard currency countries developed in favour of the Colony: Philippine trade resulted in a favourable balance of \$26.3 million, with Sweden \$0.7 million, and with Latin America \$1.6 million.

Business with Latin American countries is slow in developing. Total imports amounted only to \$1.2 million and total exports to \$2.8 million. However, prospects for expansion of business with South and Central America are encouraging.

TRADE WITH JAPAN

It is generally expected that Japan will resume her dominant trading position in the Far East in 1948 and, after the signing of the Peace Treaty, will embark on an export drive. Hongkong has been in comparatively active business connections with Japan since end of 1946 and private merchants and Govt. here do their best to improve the volume of business. So far results have been satisfactory as revealed in the trade returns for June through Sept. 1947: Japan shipped to Hongkong goods valued \$20.3 million and bought from Hongkong goods for \$3.6 million. Prior to June 1, 1947 Govt. Dept. S.T. & I. only recorded trade with Japan which was then regarded as "sponsored" business.

Trade with Japan for Jan./May 1947 was reviewed in our issue of July 23, page 212. "Sponsored" imports for the 5 months then amounted to a value of \$29.8 million plus approx. 45,000 tons of coal which were bought from Japan at \$66 to 70 per ton.

Total imports from Japan for 1947 are accordingly: \$29.8 million plus \$20.3 million (commercial imports June/Sept.) plus about \$5½ million (for 9 months of coal deliveries of about 9,000 tons per month), making a total of \$55.1 million or 5¼% of Hongkong's total imports. Japan thus should rank as the fifth largest supplier after China, U.S., U.K. and Malaya.

As for exports of sponsored cargo during Jan./May 1947 no exact figures are available regarding the value of a large quantity of foodstuffs shipped to Japan but kaolin shipments valued \$1.2 million which amount has to be added to the recorded Hongkong exports to Japan for June/Sept. of \$3.6 million.

In future Japan promises to be, as before the war, one of the leading suppliers of consumer goods (local consumption & re-export) and industrial raw materials (for local factories) but it may constitute a narrow market for products which Hongkong will be able to offer.

HONGKONG GENERAL CHAMBER OF COMMERCE

Founded on May 29, 1861 and incorporated on Dec. 22, 1928, under the Companies Ordinances of Hongkong by special sanction of His Excellency the Governor with limited liability without the addition of the word "Limited" to its name, the 86-year old Hongkong General Chamber of Commerce has grown from its membership of 62 to the present number of 405 due to its valuable services and the increase of commercial firms in the Colony after the end of World War Two. Immediately before the outbreak of the Pacific War, the Chamber's total membership was 204 commercial firms and industrial members.

The General Chamber is an international body in character open to merchants, manufacturers, bankers, members of professions, shipowners, shipbuilders and others, including unincorporated associations and societies of all races and nationalities (except those whose country is in a state of war with Great Britain) interested in the trade of the Colony of Hongkong, the Far East and China.

There are hundreds of chambers of commerce limited to the participation of particular nationalities and races throughout the important commercial ports in the world, but the Hongkong General Chamber of Commerce is perhaps the only one of its kind in the Far East open to all races and nationalities.

Objects of the Chamber

The objects of the Chamber are, among other things:—

(1) To promote and protect the Home, Colonial and Foreign trade, commerce, shipping and manufactures of the Colony of Hongkong and its dependencies,

(2) To consider all questions connected with such trade, commerce, shipping and manufactures,

(3) To promote, support, or oppose legislative or other measures affecting such trade, commerce, shipping and manufactures,

(4) To undertake by arbitration the settlement of disputes arising out of trade, commerce, shipping and manufactures,

(5) To issue Certificates of Origin of any goods and to undertake and conduct surveys of any goods or merchandise, and to issue all necessary certificates in connection therewith,

(6) To collect and disseminate statistical and other information relating to trade, commerce, shipping and manufactures; and

(7) To advance and promote commercial and technical education.

Committees of the Chamber

The Chamber convenes one annual General Meeting in February every year, at which the General Committee shall be elected among British firms and members of British firms to manage the Chamber's business and funds. The General Committee, consisting of one chairman and one vice chairman and not less than 10 nor more than 12 members, appoints various subcommittees and their respective members to conduct different special businesses. Members of subcommittees are open to every race and nationality, though members of the General Committee are open to only British nationals of British firms. All members of the General Committee shall hold the term of office for one year but shall all be eligible for re-election.

The election of members is by resolution of the General Committee on the proposition of two members of the Chamber. No member has any right of voting until the expiration of two months after selection as a member of the Chamber.

The General Committee meets once a month, while subcommittees may convene meetings whenever occasion arises. The annual subscription have been revised after the war from \$100 to \$150 for individual members and from \$200 to \$300 for firms.

Members of the Chamber

Practically all leading Chinese and European commercial houses in the Colony are members of the Chamber. They represent: accountants, auditors, advertising agents, aerated water manufacturers, airways, alcoholic beverages, auctioneers, aviation, architects, banks, booksellers, brewers and distillers, cement manufacturers, chemicals, cigarette manufacturers, chemists and druggists, coal contractors, cold storage, dairies, department stores, consulting engineers, estate agents, factories, feather exporters, flour brokers and merchants, forwarding agents, godown companies, hat manufacturers, hotel companies, insurance companies, associations, machinery agents and contractors, marine surveyors, Chinese medicine manufacturers, men's outfitters, mining companies, molasses importers, motor vehicle dealers, merchants and commission agents, oil companies, paint manufacturers, public utility companies, paper importers, printers, rope manufacturers, rubber companies, rubber footwear manufacturers, solicitors, shipbuilders and repairers, shipping offices, stevedores, tobacco shops, waterboats, weavers, wireless agents etc.

Duties of the Chamber

Generally speaking, the Chamber acts as a liaison officer between the

Hongkong Government and the trading and commercial firms. Whenever the Government would like to sound out the general opinion of the commercial circles here concerning certain legislation or affairs which are likely to affect the Colony's commercial business, it would first approach the Chamber for its opinion which is likely to be the representative opinion of the Hongkong merchants.

The Government always allots one seat in the Legislative Council to the Chamber to enable Hongkong merchants to express their opinion and views through the Chamber's nominated representatives on this Council. When the proposed Municipal Council comes into existence in the near future, the Chamber will also be given one seat in it.

The Chamber maintains regular contact with chambers of commerce in other leading commercial ports and cities of the world so as to collect and exchange information concerning the conditions of trade, commerce, shipping and manufacturers of other places for the benefit of its members. Abroad merchants who wish to sell certain products to or to buy from Hongkong merchants often correspond with the Chamber which in turn puts its members in the particular line into contact directly with the enquiring companies or persons.

All these informations and enquiries are available to the Chamber's members through the regular fortnightly trade circular issued by the Chamber. The Chamber has also resumed the issuance of "Certificates of Origin" to member and non-member manufacturers at \$4 and \$8 each respectively.

The Chamber which is a member of the Federation of Chambers of Commerce in Britain has at present six subcommittees for legal, import export and Imperial Preference, labour, wages, and Crown leases and piers affairs

Officials of the Chamber

A study of the records of the Chamber reveals that its chairmanship has always been occupied by the managers of several leading and influential British commercial firms. It first chairman in 1861 was the late Mr Alexander Percival of Messrs. Jardine, Matheson & Co., while the chairmanship in the past 86 years has been in one year and the other held by the managers of the following companies: Messrs Jardine, Matheson & Co.; Turner & Co.; Butterfield & Swire; Reiss, Bradley & Co.; P. & O. Steam Navigation Co.; Hongkong & Shanghai Banking Corporation; Dent & Co.; Gibb Livingston & Co.; Gilman & Co.; Dodwell & Co.; Harry Wicking & Co.; MacKinnon, Mackenzie & Co.; Asiatic Petroleum Co.; Shewan Tomes & Co.; and John D. Hutchison & Co.

HONGKONG CHINESE MANUFACTURERS' UNION

The Hongkong Chinese Manufacturers' Union was officially inaugurated on September 1, 1934 after having been promoted and prepared for more than six months by a group of leading Chinese industrialists. The promotion was motivated by the fact that there were in 1931 about 300 Chinese operated industrial establishments in Hongkong but due to mismanagement, labour disputes and cheap production, the number was reduced by half by the beginning of 1933.

The Union was formed for the purpose of promoting trade, rendering mutual co-operation, protecting industrial interests, issuing "Chinese products" certificates, procuring raw materials, giving technical education for factory management, better advertising methods, improving production capacity and methods; as well as for the purpose of settling management-labour disputes; holding Chinese products exhibitions and publishing catalogues for native products.

When the Manufacturers' Union was formed in 1934, the Union had 59 members representing industrial companies and another 13 members who joined as individual persons. Qualifications for becoming a member of the Union are: A. factory owned and/or financed by Chinese; a Chinese wholesale or retail shop selling only native products.

During the four years of Japanese occupation of the Colony, the Union maintained a skeleton staff and suspended practically all its activities as only a handful of its member factories continued operation throughout the period. Upon liberation, the Union was one of the Chinese public organisations here which immediately took the necessary steps for resumption of its activities.

Present Position

After two years of rehabilitation, the Union today has a membership of 520

Following is the list of officials of the Chamber for the year 1946-47:—Chairman: Hon. R. D. Gillespie (Imperial Chemical Industries (China) Ltd.), Vice Chairman: Mr. C. Blaker (Gilman & Co., Ltd.).

Members of the General Committee: Hon. D. F. Landale (Jardine Matheson & Co.); Hon. A. Morse (HK & Shanghai Banking Corporation); Mr. P. S. Cassidy (John D. Hutchison & Co.); Mr. R. Y. Frost (Asiatic Petroleum Co.); Mr. E. R. Hill (Dodwell & Co.); Mr. N. O. C. Marsh (MacKinnon, Mackenzie & Co.); Mr. C. C. Roberts or Mr. E. G. Price (Butterfield & Swire); Mr. John Robinson (Reiss, Bradley & Co.); Mr. W. A. Stewart (Davie Boag & Co.); Mr. I. W. Shewan (Shewan Tomes & Co.) and Mr. R. A. Wadeson (Deacons).

industrial enterprises engaged in the production of:—torches, torch batteries, machinery, clocks, steel windows and furniture, hurricane lamps, rubber wares, cigarettes, candies, biscuits, cosmetics, perfumes, medicines, lacquer and paint, fire crackers, ceramics, glass wares, leather goods, Chinese ink, camphorwood goods, tooth picks, mosquito coils, vacuum bottles, cotton thread, cloth and hosiery, refining of manganese and graphite, canning, printing, knitting, weaving and dyeing.

The entrance fee for members is \$100 for A class factories, \$50 for B class and \$25 for C class, while the monthly subscription is the same as the entrance fee for the respective classes. The organic regulations of the Union provide that it be headed by a chairman with a deputy chairman and that it is to have five departments namely: general affairs, social affairs, publicity, investigation and treasury with each section having one director and several assistants.

Officials of the General Committee are to be selected by votes every two years. The Union is to hold its general meeting once a year, while the Committee is to convene meetings at least once every month.

Since liberation, the Union has petitioned the Hongkong Government for the purpose of the resumption and amendment of the prewar Imperial Preference system, negotiated with local banks for industrial rehabilitation loans; negotiated with the Department of Supply, Trade and Industry for allocation of various industrial raw materials; and resumed the issuance of "certificates of origin" for locally produced goods.

At present, the Union is investigating into the possibilities of the Colony's cotton cloth weaving factories regarding a very large order from African merchants for 60 million yards of cotton cloth. The investigation is conducted by the Union together with the Hongkong Cotton Cloth Manufacturers' Association.

Textile Goods Examination

One of the important steps taken by the Union recently is the formation of a Textile Goods Examination Committee in cooperation with responsible officials of the Hongkong Cotton Cloth Manufacturers' Association for the purpose of examining colour, weight, length and width of cotton cloth produced by local weaving factories and designed for export.

The Committee was formed at the beginning of October following receipt of numerous complaints from Singapore

trading houses that Hongkong produced cotton cloth, on arriving there, was often discovered as either short of weight, length, width or non-fast. The Committee is responsible for the examination of every piece of cotton cloth produced by member factories of the Cotton Cloth Manufacturers' Association destined for export and also for the issuance of certificates. In the case of any piece of cloth being discovered as short of weight etc. upon arriving abroad, foreign importers are entitled to demand money back from the local factories if they ordered the goods through the Manufacturers' Association.

The first batch of cloth which passed examination were the 100 pieces exported to Java on Oct. 17. The measures taken are still in the experimental stage and should they prove satisfactory similar committees will be formed to examine other local products.

The Union made previously preparations for dispatching a trade mission to promote trade relations between here and South Seas regions. This has meanwhile been postponed for probably some time in 1948.

In prewar days the Union succeeded among other things, in obtaining the permission from the Chinese Government's Ministry of Economic Affairs for the issuance of certificates to all Chinese export products made in Hongkong (as a concrete proof of being not Japanese goods which were boycotted by Chinese overseas). The Union also secured tariff reductions from the Chinese Government for locally manufactured goods imported into China.

The Committee of the Union for 1946/7:

The Committee of the Union for 1946/7:—Chairman, Mr. Shum Choy-wah (Sun An Silk & Cotton Weaving Factory)—Vice Chairman, Mr. C. L. Hsu (Diaward Steel Work).

Executive Committee:—Mr. Lee Oi-se (Wah Lun Cotton & Silk Weaving Factory); Mr. Leung Chik-fan (Hongkong China Gourmet Powder Co., Ltd.); Mr. A. J. Ben (The National Lacquer & Paint Products Co., Ltd.).

Working Committee, Mr. Robert Der (Standard Chemical Works Ltd.).

Social Department, Mr. Ngai Shiuhung (Yuen Hing Electric Machine Weaving & Dyeing Factory).

Auditing Department, Mr. Ng Yuekwong (Ng Yee Hing Weaving & Dyeing Factory).

Department of Publicity, Mr. Henry K. Y. Hsu (The New Asiatic Chemical Works (H.K.) Ltd.).

Revenue Department, Mr. Wong Kwok-wei (Wah Ngai Silk Weaving Factory).

EXCHANGE AND FINANCIAL MARKETS

TIGHT MONEY

The tight money position has further been accentuated by arrival of large quantities of goods, mainly from the U.S. Many dealers and wholesalers are either unwilling or unable to take up the goods and leave the importers in many cases with the problem how to store them and where to obtain the necessary bank loans.

Godowns are doing an excellent business and their balance sheets will, in part, reflect their present boom which is due to overstocking. Chinese import restrictions, further decrease in the purchasing power of the Chinese people, saturation of local consumption. There are no immediate prospects for an easing of the situation.

Some hopes are pinned on a plan presumably broached by Dr. T. V. Soong in Nanking regarding the drastic reform of import restrictions as far as Kwangtung is concerned. This plan provides according to P'ou dit en Chine for either the adoption of an export-import link system (which would mean that Kwangtung, always having a favourable trade balance with Hongkong, could import without restrictions up to its export limit) or the absolute freeing of imports into Kwangtung of restrictions but instituting heavy Customs duties of 100 to 150% on the average. Any change for the better in the trading position of South China will automatically lead to faster sales and partial emptying of godown space with a welcome easing of the monetary tightness.

Some commercial banks are also feeling the stress of the requirements of their clients who keep on piling up overdrafts. The banks here are holding far more than half of the imported merchandise which is congesting public and private warehouses.

US\$ TRANSACTIONS

Tight money, sizeable arrivals of U.S. goods to be paid for in U.S.\$ upon discharge from ships' holds, heavy offerings of US drafts and notes mostly on the part of returning Chinese, or resulting from Chinese overseas family remittances, have caused a further decline in the local unofficial US\$ rate. Some American ships upon arrival here and unloading hundreds of cases of cargo were almost distressing the importing merchants who now find themselves in most cases stuck with an abundance of goods. Sales are slow even at reduced prices which sometimes hardly cover costs.

Many political refugees from China arrived here recently who started to sell considerable amounts of US notes and also offered to sell much larger amounts from their accounts in New York than the local market can absorb. There is at present a plethora of US\$ sellers in the market which accounts for last week's low prices.

Maximum and minimum rates for the week were resp.: US notes HK\$533-495;

US drafts 533-495; T.T. 544-508. Towards the end of last week the cross rate fluctuated between US\$3.10 to 3.15 per £. The cross rate for US drafts went as low as US\$3.22.

GOLD TRANSACTIONS

Local gold stocks are estimated at 400,000 taels about half of which is held by European and American banks as well as a few Chinese commercial banks. Arrivals of late are heavier than exports. The gold exchange transacted last week 28,530 taels on the spot market but actual cash sales were much heavier, probably an additional 20,000 taels; there is much inter-principal selling which, like at the Stock Exchange, circumvents the brokers at the gold exchange.

The week's highest and lowest prices were resp.: \$347 and 330. The gold cross rate was US\$50 to 50½ per troy ounce on the average. Shanghai was not buying except small lots; the gold price per oz. started last week at CN\$5 million but later declined and closed around 4½ million. Since the black market rate for US\$ notes and T.T. remained almost unchanged during last week (highest CN\$90,000, lowest 84,000 per US\$1), the Shanghai cross rate for gold was only around US\$ 51 to 52½. Canton quoted throughout the week similar if not lower rates than Hongkong.

Macao's airlifted gold imports are reported to be steadily increasing and a large arrival of gold from Bangkok (40,000 ozs.) is expected for the current week. There is much gold waiting in Bangkok for export to Macao. Offerings come from other parts of the Far East as stocks are everywhere comparatively large and the cross rate is dropping in China.

Approx. cash turnover at the gold exchange during October totalled 170,000 taels involving payments between HK\$55 to 60 million.

GOLD IN SIAM

As from Oct. 28 the Finance Ministry of Siam has declared all gold imports into Siam liable for sale to the Bank of Siam at the Govt. official purchase price. However, exemptions may be made and special permits may be issued entitling gold importers to sell gold at the free market price. The Siamese Govt. has acted under advice of the International Monetary Fund who are campaigning among members* and non-members for the suppression of dealings in gold at rates higher than the I.M.F. parities.

Siam has recently developed into a veritable dorado; gold from America and Europe has kept coming and Bangkok which absorbs very small lots only was transformed into an international gold transit market. Much gold from Bangkok has been flown and otherwise transported into Macao and China.

The Oct. 28 decree does not cover old gold contracts; as there are very large quantities still to come according to contracts entered into prior to Oct. 28, the new regulations will not for the time being reduce gold business in Siam.

The Govt. gold purchasing price is Siamese ticals or baht 170 per baht weight of gold (i.e. 15 grams); the free market price in Bangkok has been recently fluctuating between ticals 500 to 515.

(One baht weight of 15 grams equals 0.3973 local taels; one tael equals 37.994 gr.—2½ baht weights equal 37½ grs. or almost one local tael).

The Bangkok gold market quoted before Oct. 28 around ticals 502 to 503 but advanced then to 515. The price of gold in Bangkok during the last 2-3 weeks equalled per tael H.K.\$288 (lowest) and H.K.\$312 (highest); higher or lower rates were determined by the unofficial exchange rate between H.K.\$ and Siamese tical or baht. (The unofficial rate here or the free market rate in Bangkok has recently moved between H.K.\$23 to 24½ per 100 ticals while the official exchange rate here remains unaltered at H.K.\$100 for 243 ticals).

The comparative cheapness of gold, abundantly available in Bangkok, has stimulated the influx of gold from there into Hongkong. Every traveller by sea or air could have easily made a profit of about 15% by carrying gold with him when taking off for Hongkong. The local Courts have been acquainted with some cases of gold imports from Siam; as the law here forbids such imports (except under licence) these travellers are termed smugglers. Much of the gold illicitly imported into the Colony is genuinely meant for re-export to China but there is also a large number of people who act as transportation agents and specialise in false bottoms for local market consumption only. Much bribery and intimidation is, as usual with smuggling, connected with the recent increased imports of gold from Siam.

GOLD IN THE PHILIPPINES

The U.S. amended gold regulations which aim at the enforcement of an embargo on gold exports caused higher prices in Manila but after some realistic appraisal of the situation in New York which is different from what the Treasury in Washington figures the market turned again easier. There will be gold available in Manila as much as there will be cash to pay for it.

The envisaged U.S. gold export embargo leaves many loopholes and these will be used provided that there is sufficient inquiry and inducement, meaning a price not lower than U.S.\$42 to 43 per oz., f.a.s. U.S. ports. Manila is selling U.S. and Mexican gold after asking for U.S.\$47 (compared to Oct. 27 price of U.S.\$42) now around \$45. Philippine mined gold after refining in London sells at a higher price. Manila dealers and miners are more interested in facilities for transferring gold to China and the tightness of China's customs controls, which are of greater importance as far as Philippines producers are concerned than United States and European regulations.

Maximum and Minimum Prices on the Unofficial Exchange Market of Hongkong for the month of October:—

(in Hongkong dollars, per tael of gold and per US\$100)

October 1947

Highest Lowest

January/

October 1947

Highest Month

Lowest Month

Gold	.....	.....	.....	.....	.....	.....
	357½	322½	405	Sept.	254	Feb.
(cross rate per						
oz. US\$	52	49	57½	Jan. & Sept.	42	May
US\$ notes	551	495	581	Sept.	440	Apr.
US\$ drafts	558	495	575	Sept.	454	Apr.
T.T. New York	572	516	593	Sept.	482	Jan.
(cross rate per						
£, US\$	2.85	3.10	2.70	Sept.	3.32	Jan.

For previous comparative statistics cf. our issue Oct. 8, p. 462.

CHINESE DOLLAR DEPRESSION

The official open market exchange rate of the Foreign Exchange Equalisation Fund Committee remained unchanged during the past week at C.N.\$54,300 and \$5,700 buying and selling resp. for T.T. New York. The T.T. London rate was however advanced to C.N.\$170,000 b., and 174,000 s., thus raising the cross rate to U.S.\$3.12 per sterling.

The unofficial (black) market, quoted foreign currencies and T.T. at almost unchanged rates but the tendency is upward. U.S.\$ notes sold between C.N.\$84 to \$8,000. T.T. New York about 5% higher. Gold was weaker at 4½ to 4¾ million or approx. U.S.\$51 to \$2 per oz.

Demand for T.T. Hongkong was lively in Shanghai and H.K. notes sold in large quantities in the unofficial exchange. A number of Shanghai and North China merchants has decided to establish offices in Hongkong and either close their Shanghai headquarters or keep a skeleton staff there. In addition, as a consequence of the stepped-up political persecution and in particular the suspension of the Democratic League by the Kuomintang, more Chinese residents from the North came to Hongkong and the expectation is general that additional arrivals will occur during this month. This voluntary and forced emigration of many Chinese of all walks of life has made itself felt also on the money market where demand for H.K.\$ (conversely an increasing supply of both T.T. Shanghai and Chinese notes) has been conspicuous.

The business community of Shanghai has been more outspoken about the unrealistic handling of the so-called official open market rate and there is likely to follow some appeasement by Central Bank

who may raise the official rate so as to bring it more in line with the unofficial rate. The difference of 50% between the two rates cannot and shall not be maintained if the so-called open official rate was ever meant to be really "open". At present it is manipulated.

INDOCHINA PIASTRE

With over 7 million I.C. piastres transacted at the local spot exchange and prices moving around \$11 (for 100 piastres) for the ordinary bank notes and about \$5 for the so-called red & black piastres, the market remained in a state of suspense regarding future dealings in the about 200 million locally hoarded piastre notes which are now withdrawn from circulation in Indochina.

As was pointed out in the previous issues of this Review the considerable issues of Banque de l'Indochine notes during the period of Japanese control (1942 to 45) had to be exchanged by the Banque's head office, Saigon, and the office at Haiphong into new issues. The locally nicknamed red & black notes were printed on Japanese paper in Indochina and are of inferior quality which has been exploited by bank note forgers; indeed the number of forged bank notes of these Japanese sponsored issues is large and the present withdrawal of them will probably lead to the uncovering of many millions more of forged piastre notes. The notes in question are officially known in Indochina as "Ideo" notes as they were printed in the printshop of a firm of this name.

Chinese holders of Ideo notes are now unable to dispatch them to Haiphong or Saigon for exchange into new issues as the notes would only be accepted in Indochina if a previous Indochina export permit could be produced. Since this is in all cases

impossible—the majority of the Ideo notes circulating here and in China originate from erstwhile Chinese army seizures or "pay-offs"—the Ideo notes are marooned here. The local Chinese Chamber of Commerce requested by the native banks, exchange shops and other interested holders, petitioned the local branch office of the Banque asking to exempt Chinese-held Ideo piastres from the stipulation as otherwise local holders would lose their investment. The petition is under consideration in Saigon but meanwhile the Ideo notes are of doubtful value in the eyes of local investors and speculators which explains the about 50% discount they suffer compared to the prewar piastre issues. The deadline for turning Ideo piastres in at the Banque's offices in Haiphong and Saigon has expired but there may be granted some extension. The Ideo notes which have so far been exchanged against new issues are reported to total some 400 million piastres.

A considerable portion of the Ideo issues are held in the areas under control of the Viet-minh in Northern Indochina. Some months ago the Viet-minh have started to print scrip which they declared legal tender in such places where they still retain control. The people at large have refused to accept this Viet-minh scrip.

NOTE ISSUE IN INDOCHINA

In an agreement signed on July 10, 1947 the Banque de l'Indochine renounced the privilege of bank note issue which was conceded it for the duration of 25 years according to the law of March 31, 1931, which authorised the issue of bank notes in Indochina, the French Establishments in Oceania, in New Caledonia and dependencies, and in French India and the French Somali Coast.

The service of bank note issue by a private commercial bank has been regarded in Paris and Saigon as incompatible with the political evolution of Indochina, furthermore the French Govt. has taken the initiative in the conferences of Dalat and Fontainebleau to suspend the present system and to create in Indochina an Institute of Note Emission which is to be organised as a department of the Indochina Federation Govt. In the other areas where Banque de l'Indochine notes have been issued and now circulate similar developments will take place in due course.

At present Banque de l'Indochine continues to issue notes in Indochina pending the establishment of the new Govt. department but even for some time after this department's establishment the French Bank will probably act as a kind of agent for the emission of treasury notes.

HONGKONG UNOFFICIAL EXCHANGE RATES (IN HK\$)

	Gold per Tael		CN\$ (per one million)				S'hai Canton		Notes	US\$ Draft	(per 100)				Pound	
			Sept.	Forward	High	Low					T.T.	I.C.\$	Guilder	Baht		
Oct.	High	Low	High	Low	High	Low	T.T.	T.T.								
27	340	333½	71	69	66	63	63	66	530	532	544	11¼	32	23	13	
28	344½	337½	69½	67½	66½	66	63	65½	533	533	544	11¼	31½	23	12.8	
29	347	338½	68½	67½	66	65	63	65	530	531	536	11	31½	23	12½	
30	342	337	69½	68	69	66½	65	67	524	516	535	11	31	22½	12.6	
31	342	331½	69	67½	69	66½	65½	67½	496	496	517	11	31	23	12½	
Nov.																
1	333	330	72	70	67½	66	62½	65½	500	500	510	10¾	31	22½	12½	

HONGKONG'S TREASURE TRADE IN SEPTEMBER

There were no imports of gold or silver recorded last month but both merchants and shippers know of considerable quantities of both gold and silver having come into the Colony either for local trading purposes or in transit.

Total treasure exports valued \$6,050,050. Gold was shipped to Macao to a value of \$3,115,000; this lot comprising about 10,000 taels is supposed to have resulted from old orders placed many months ago when Hongkong Govt. still permitted gold imports into the Colony in transit for Macao. However, during every month large gold exports from here to Macao have been officially recorded and always explained as "backlog". It is quite possible that these "backlog" shipments are not genuine backlogs.

Silver exports were effected to the U.S. valued at \$1,455,050 and to India valued \$1,088,000. The latter export was a backlog shipment. Bank notes to a value of \$392,000 were shipped from here to South China.

CHINA'S TREASURE TRADE

The officially recorded treasure trade of China for the first six months of 1947 was as follows:—

GOLD—a total of 12,127.8 kilogrammes (389,908 troy ounces) were imported (all in June), unloaded in Shanghai, consigned to the Government, valued at CN\$166,494 million or an equivalent of US\$13.6 million (the official rate of computation of the Chinese Govt. is US\$81.97 per CN\$1 million). The valuation of the official gold imports was made at US\$35 per troy oz.

SILVER—total exports amounted to 162,271.9 kilogrammes (one kilo equals 32.15 troy oz., or 26.455 taels), valued at CN\$27,643 million (at the official exchange rate of Central Bank of China of US\$81.97 per one million Chinese dollars) or US\$2¼ million. All silver exports were made from Shanghai. Hongkong received 37,627.1 kilos valued officially at CN\$14,819 million, and the U.S.A. received 124,644.8 kilos valued CN\$12,823 million. (Hongkong trade returns, however, do not show any silver imports from any country).

BANK NOTES—Imports during Jan./June amounted to a face value of CN\$7,769,177½ million (over 7¼ trillion); practically all these legally imported bank notes were printed abroad for Central Bank of China as the domestic presses could not cope with the mounting demand for more paper money.

Exports of bank notes during the period: CN\$4,250 million; Hongkong dollars 23.2 million and US\$4,263,000. (The amount of HK\$ legally exported from China during Jan./June is striking as it amounts to about 5% of the total note issue of Hongkong).

HONGKONG CLEARING HOUSE

The clearing totals for the months July to September of Hongkong Clearing House were as follows:—

July	\$628,312,553
August	548,873,308
September	633,493,709

Clearing figures for Jan. through July were published in our issue of August 13.

The average for the first nine months of 1947 is \$540 million per month. (The average trade, imports & exports, of the Colony for the first 10 months is \$210 million; Hongkong Stock Exchange estimated turnover for first 10 months of 1947 \$12 to 15 million per month).

HONGKONG CURRENCY CIRCULATION

By the beginning of this year total circulation of bank notes and Hongkong Govt. treasury notes amounted to \$467 million (issue of Hongkong & Shanghai Banking Corp. 416 million. Chartered Bank 42 million, Mercantile Bank 4 million, Govt. notes of \$1 and 10, 5, 1 cents denomination 5 million). During the current year circulation of bank notes has only slightly increased.

In 1938 the total note circulation in Hongkong amounted to \$235 million (issue of H.K. & Shanghai Banking Corp. 200 million, Chartered Bank 25 million, Mercantile Bank 5 million, Govt. \$1 and 10, 5, 1 cents notes 3.9 million).

Against 1938 the bank note issue in the Colony has increased by about 100%. The index of imported commodities and foodstuffs (wholesale price index) has increased from beginning of 1941 to middle of 1947 by 200 to 300%. Cost of living is estimated to have increased, on the average, during the same period by about 300%.

Uninformed newspaper correspondents, after a short stay in the Colony, have recently stated in their messages that inflation was progressing here. The basis for such "news" was believed to have been found in the rates of the US\$ on the local unofficial exchange market.

However, while unofficial rates for US\$ notes in 1945 reached HK\$ 6 and 7 and remained during the earlier part of 1946 at around 5.50, the development of the rate during 1947 (as will be seen from statistics in this issue) recorded 5.8 as the highest and 4.4 as the lowest level with about 4.8 as the average.

Prices of consumer goods have shown declines although such were gradual and relatively small; cost of living has been not inconsiderably reduced here since the beginning of 1946.

A certain percentage of the increase in the bank note issue of Hongkong is attributable to the hoarding of such

notes in Kwangtung and South China as well as, to a smaller degree, in Shanghai. Furthermore, Hongkong currency notes are the favourite medium of commercial and private businesses in neighbouring China.

CHINESE NATIONAL CURRENCY CIRCULATION

An authoritative source disclosed last February that the circulation of CN\$ amounted on Feb. 17, when the official exchange rate was advanced to CN\$ 12,000 per US\$ 1, to 5 trillion (5,000,000,000,000). At that time Chinese informed bankers believed however, that the actual note issue was larger.

The Chinese Govt. has so far steadfastly refused to publish any figures relative to note issue and has ignored the many protests of the Chinese commercial community and the repeated demands by political circles in Nanking who emphasised in strong words the duty of the Govt. to release at least once or twice yearly the totals of notes put into circulation:

At the end of October the total circulation of CN\$ was estimated by well-informed Chinese financial circles at 25 trillion as the lowest figure while other estimates give the present CN\$ circulation at around 35 trillion.

The prewar published bank note circulation of China was as follows:—

June 1938: total issue CN\$ 1.8 billion (exchange rate: annual average for 1937 US\$ 29.306, annual average for 1938: US\$ 21.168) approximating to an equivalent of US\$ 420 to 430 million.

1935: total issue CN\$ 830 million (exchange rate US\$ 36.26 per CN\$100) corresponding to an equivalent of US\$ 301 million.

On or about Feb. 17, 1947 the equivalent total circulation of legal tender in China (provided that the low figure of 5 trillion at that time is accepted as basis) was around US\$ 416/417 million. If the present estimate of some 25 trillion (lowest) and 35 trillion (highest) is taken as the basis for computation of the Chinese note issue into US\$ one arrives also at about US\$ 420 million (the current official exchange rate of China is CN\$ 56,700 while the unofficial exchange rate is about CN\$ 82,000 per US\$ 1).

Not included in the note circulation of China are the note issue of the Bank of Taiwan and the North East (Manchurian) currency. Taiwan and Manchuria were not parts of China before the war. Another fact has to be taken into consideration before arriving at conclusions: the legal tender of the Chinese Govt. at Nanking is not generally circulated in the large areas under Communist control. The Communist authorities in these areas use largely their own legal tender which was recently exchanged at the rate of CN\$ 20 for one dollar of the Communist regime.

Manchuria is to all intents and purposes under Communist control so that the circulation of so-called North East currency notes is of hardly any importance.

As the largest denomination of Nan-king's legal tender is today only 10,000 and one picul (or zah of 80 kilograms) is selling in Shanghai at about 8 lakhs, the circulation of the notes of Central Bank of China is inadequate and recourse has long been taken by the merchants to circulate bank cheques among themselves (drawn by private or Govt. banks either on themselves or other banks). (By this method the circulation of Chinese money of a sort has been greatly increased.)

In case of the grant of a stabilisation loan by the U.S. the currency requirements of the Chinese nation, as far as not under control of the Communist authorities who claim that at least one third of the people are living in their territories, and excluding Manchuria and Taiwan, may not be much in excess of US\$ 500 million.

PLATINUM AS INVESTMENT

Platinum, selling at a price nearly double that for gold, is being purchased all over the world in sizeable quantities by hoarders and persons seeking a safeguard against inflation.

A market for the metal has been set up in New York and efforts are being made to trade it actively on the commodity exchange on a future basis just as wheat and cotton are traded.

Platinum fills the bill for hoarding. It is a heavy metal, very valuable, and a costly amount can be stored in a small spot. It is estimated that an average-sized deposit box can house U.S.\$100,000 of this metal. The American theory of the inflation safeguard angle is that the metal will rise in price as fast or faster than the general price level and hence one can keep his relative position of wealth through loading up on platinum.

Gold previously had held top-rank among the hoarders until January, 1934, when the United States devalued the dollar and took all gold out of circulation. Now the only ones who can buy United States gold are foreign governments who pay the fixed price of \$35 per fine ounce. Platinum is quoted around \$69 per fine ounce.

American banks are making inquiries for platinum quotations, and an active over-the-counter market in the metal exists now in New York. With a sizeable portion of the world's gold supply buried at Fort Knox, and with regulations now in force or being prepared everywhere to prohibit public ownership of gold the move into platinum may be intensified.

Substantial business in platinum has been done in 1946 and so far this year international investing interests have come in. Each day brokers in New York post platinum prices which are set on the basis of the London quotation—London being the centre.

The hoarding demand seems to be growing steadily. If the restrictions were removed on gold the trend would be lessened. However, gold restrictions presently are increasing instead of decreasing, and

the platinum market is therefore in a favourable position. Like all free markets, this one is subject to all the fluctuations of supply and demand.

CONTROL OF BANKING IN AUSTRALIA

A wartime change which was made permanent by legislation is *the control of banking*. It began by the voluntary agreement between the Fadden Government and the banks in 1941. Under this agreement any increase in bank deposits since the outbreak of war was frozen in a special account with the Commonwealth Bank to prevent "secondary inflation," all purchases by trading banks of government bonds required central bank sanction, and advance policy was controlled. This system of controls was strengthened and made compulsory by the Curtin Government, which issued regulations under the National Security Act in November, 1941. These regulations worked fairly satisfactorily in the peculiar circumstances of the war, but were in fact hardly necessary as the operations of the banks were restricted indirectly, but quite effectively, by other controls restricting the operations of their clients.

Peace-Time Controls

In 1945 these wartime regulations were further added to and embodied in two Acts, the Commonwealth Bank Act and the Banking Act. These imposed a chain of controls from the Treasury through the Commonwealth Bank to the trading banks, in addition to which they provided the Commonwealth Bank with additional trading functions as well as giving it a directive to compete more actively with the trading banks. At the same time the Commonwealth Bank was put directly under the control of the Treasury, by abolishing the Commonwealth Bank Board and making the Governor responsible to the Commonwealth Treasurer.

The main effects on trading banks have been to limit their freedom of action and to control their profits. But the general effect on Australian industry and trade may be rather far-reaching. The controls fall into three classes: namely, control of the volume of loans to be made by trading banks, control of a qualitative nature by selecting the type of advances that may or may not be made by trading banks, and a new form of rigid control over interest rates.

Credit Control

Control of the volume of credit is an old device of central banking and is in fact the underlying principle of credit control. All central banks possess the power in varying degrees. The oldest and most common is that of control of the note issue, which dates back to 1844 when the Bank of England became the first central bank. This works simply by varying the amount of the note issue, thereby varying also the cash reserves of the banks, forcing them to contract credit when notes are withdrawn and encouraging them to lend when the note issue is increased. The mechanism used by the central bank is generally to put notes into circulation by buying government secur-

ities in the open market and to withdraw them by selling securities. To this has been added the control of interest rates, exercised by declaring a rate at which the central bank will discount bills or by setting a rate for treasury bills. The central bank forces the commercial banks to follow, in so far as they are dependent on it for funds in an ultimate crisis. By lowering interest rates the central bank encourages borrowers; by raising them it encourages savings and discourages spending.

In the opinion of critics the control of interest rates has been too slow to work satisfactorily, but nevertheless it has worked well in countries where the central bank has prestige in the eyes of the commercial banks and other financial institutions. In a country like the United States, in which the banking system is poorly integrated on account of the mass of small financial institutions, it has worked less well. It was therefore in that country that the system of compulsory deposits with the central bank was first initiated. This work more directly on the deposits of the banks by giving the central bank the power to demand that a given proportion of their total deposits shall be deposited with itself, thereby reducing the amount free to be lent to private enterprise.

Compulsory Deposits

It can be argued that compulsory deposits were desirable in Australia during the war, and the banks voluntarily agreed to the system. But it was unnecessary to make it a permanent feature of the banking system. It is as yet too early to say how it will work in the long run; that all depends on the administration of the system. At present it bottles up funds that are not very urgently wanted, but the test will come when Australian industry needs the extra funds that are now locked up in the "Special Accounts."

The theory behind control by means of compulsory deposits is that the central bank can, by its exercise, discourage an unhealthy boom by making further expansion of lending difficult, and alleviate a depression by encouraging expansion. But normally, it can do this by the exercise of the type of power the Commonwealth Bank had before the war through its control of the note issue and over interest rates in general. Critics of course point to what they consider the impotence of the Commonwealth Bank during the last depression, forgetting two important points. The first is that the Commonwealth Bank had not even by 1929 attempted to exercise its powers as a central bank and therefore had no experience. Secondly, the depression was not Australian born; it was world wide, and was the greatest depression known since 1893. Even so, other countries have looked upon Australia as the country which overcame the depression better than most, despite its severity in agricultural countries.

The new qualitative control over trading bank advances.

The Banking Act of 1945 provided that the Commonwealth Bank "may give directions as to the classes of purposes for which advances may or may not be made

by banks." In other words, the Commonwealth Bank can determine what industries may or may not be developed by bank advances, and therefore it is in a position to direct industrial development into any given channel. Such a power is much more far-reaching in its potential effects on the economy as a whole even than control over the volume of credit. It has not before been tried in a democratic country in time of peace, although it obviously has its place in a war economy, in which the object is to divert all resources to the war effort. In connection with this control it must be kept in mind that the central bank is not a free agent, but is subject to direction by the Treasurer.

It is assumed by many people that free enterprise has in itself outlived its usefulness, and needs to be put under restraint until such time as it can be abolished. Government circles disclaim any intention of doing more than limiting any power for evil which free enterprise may be considered to possess. There are unmistakable signs of willingness to consider the nationalization of important industries, a movement which is by no means confined to Australia.

Control of Interest Rates

It is beyond doubt that the changes involved in the new banking laws could bring profound changes in the Australian economy generally. That is also true of the third measure mentioned earlier, namely the control of interest rates. This control, which gives the Commonwealth Bank full power with the approval of the Treasurer to fix rates of interest, is potentially very far reaching in its effects. Central banks have always exercised considerable, although indirect, influence over interest rates in accordance with economic conditions, but the direct control contemplated under the new Banking Act is far more rigid and is not necessarily related to changing industrial needs. By the old method the central bank fixes a given rate and allows all other rates to find their own natural level around it. Under the Banking Act the Commonwealth Bank is empowered to fix all "rates of interest payable to or by banks or to or by other persons in the course of any banking business carried on by them."

Interest rates will probably not be permanently as low as they are now, although for the present the expediency of cheap money overrides other considerations in the eyes of many national Treasuries. But low and falling interest rates in a period of full employment must add to the forces of inflation and discourage new saving.

NEW BANK IN HONGKONG

As several Chinese banks closed recently, two of which under most painful conditions for depositors and creditors, a new bank has opened last week for business under the style of Dah Sing Bank, Ltd. The bank will do ordinary commercial business and has an authorised capital of \$2 million 60% of which has been paid up. Of the 20,000 shares the 3 Directors (Messrs. Y. L. Yang, H. J. Gong, H. H. Chao) hold together 12,000 shares and the remaining 2 shareholders (Messrs. S. T. Yang, C. H. Fei) hold 8,000 shares.

HONGKONG STOCK & SHARE MARKET

The market's pattern was unaltered during the week, Oct. 27th to Oct. 31st. Those who had hoped for a change were disappointed, for the bear trend, which commenced around the middle of the month, showed no signs of having spent itself. A redeeming feature was the absence of selling pressure.

Observers view the decline as not by any means unhealthy. It permits of accumulation at more attractive levels particularly of market "favourites". Owing to the paucity of offerings, a steady effect is liable to occur as soon as operators commence replenishing or adding to their portfolios.

The contraction in volume is said to be due to the unwillingness of sellers to part with holdings at the prices bid by bargain hunters, and to the cautious policy adopted by most buyers of buying only on dips.

The Felix Ellis price index of twelve representative active local stocks showed a net loss of 1.44 points for the five

trading days compared to the previous week's close. Day-by-day his averages were: Oct. 27, 152.10; Oct. 28, 151.74; Oct. 29, 151.65; Oct. 30, 150.93; Oct. 31, 150.80, the lowest for the month, while the high for October was 154.39 on the 16th. The low for the year was 123.88, and the high was 155.82 on May 3.

BANKS: Sales occurred in H.K. BANKS at 2,030, 2,020, 2,000, 2,015, and in EAST ASIAS at 116.

INSURANCES: Business was reported in: CANTONS at 400 and 385; UNIONS at 780; UNDERWRITERS at 7½ and 7¼; H.K. FIRES at 295 and 300.

SHIPPING: WATERBOATS old were traded in at 48, 48½ and 48, while the new had business at 47.

DOCKS, GODOWNS: WHARFS were traded in at 230. DOCKS fluctuated slightly with business reported at 39¼, 40, 39¼ and 38. PROVIDENTS came to business at 24½ and SHAI DOCKS at 15½.

HONG KONG STOCK EXCHANGE TRANSACTIONS

Oct. 27-31:

Name of Stock	Rates for the Week		Total Sales		Rates
	Highest	Lowest	(Shares)	On Nov. 3	
H.K. Bank	2,030	2,000	60	2,015	
Bank of East Asia	116	115	203	115	
Union Insurance	780	780	38	785	
Canton Insurance	400	385	188	385	
H.K. Fire Insurance	300	295	91	300	
China Underwriters	7½	7¼	4,200	7.15	
Wharves	230	230	260	240	
" (Rights)	60	60	200	60	
Docks	40	38	2,628	38¾	
Shanghai Docks	14¼	14	2,300	14¼	
Providents	24½	24¼	1,700	24½	
Waterboats	48	48	300	48½	
Hotels	26	25¼	10,500	25	
H.K. Lands	—	—	—	53½	
Humphreys	32	31	5,050	31	
Shanghai Lands	7¼	6½	16,500	6.80	
Trams	26	25	8,700	25	
Peak Trams	—	—	—	18¾	
Star Ferries	135½	135½	100	134½	
Yaumati Ferries	—	—	—	24¼	
Lights (Old)	21½	21	5,266	21	
" (New)	16½	16¼	1,500	16¼	
Electrics	52	49	3,300	51	
" (Rights)	41	37½	3,991	39	
Telephones (Old)	42	41½	3,200	41	
" (New)	—	—	—	37	
Cements (Old)	34½	34½	100	34¾	
" (New)	—	—	—	33¾	
Ropes	23¼	23	2,000	23½	
Dairy Farm	97	95	1,333	94	
Watsons	78½	72½	1,800	73½	
Lane Crawford	—	—	—	54	
Powells	—	—	—	14½	
Vibro Piling	—	—	—	6½	
Constructions	6½	6½	1,040	6¼	
Wing On	155	155	128	155	
China Entertainment	—	—	—	37	
Sun Co.	5½	5¼	1,070	5	
Ewo	11¼	11¼	500	11¼	

Total Sales for the week ending Oct. 31: \$2,652,420 (previous week \$3,248,171).

HOTELS & BUILDINGS: No business was reported in H.K. LANDS, while S'HAU LANDS and HUMPHREYS both improved on more aggressive buying. The following business was reported in this section: HOTELS at 26, 25.90, 25¼, 25½, 25¾; S'HAU LANDS at 7, 7¼, 7, 6¾, 6¾, 6.70, 6.80; HUMPHREYS at 31, 31½ and 32.

UTILITIES: More interest was shown in this section, as will be observed from the business reported. TRAMS at 26, 25½, 26¼, 25, 25¾; STAR FERRY at 135½. YAUMATI FERRY buyers at 24; LIGHTS old at 21¼, 21½, 21¾ and 21 while the new had sales at 16½ and 16¾; ELECTRICS 51½, 51, 50, 50¾, 49, 50, 50½, 51, and the RIGHTS 41, 40, 39, 38½, 36½, 37, 38¼, 38½; TELEPHONES 41¼, 41½, 41¾ and 42.

INDUSTRIALS: CALDBECKS were again in demand, while CEMENTS were neglected, closing sellers at 34¾. ROPES had business at 23 and 23¼. DAJRY FARM after initial sales at '97 and '96 became inactive. WATSONS had sales from 78½ to 72½.

STORES: Business was reported in: SINCERES at 9.10 and 9 and x.d. at 8.40 and 8; SUN CO. 5¼ and 5½; WING ON H.K. at 155. EMPORIUMS were in continual demand, but LANE CRAWFORDS and POWELLS lacked enquiries.

MISCELLANEOUS: Business eventuated in Constructions old at 6½ and KWONG SANG HONG at 205. ENTERTAINMENTS were in demand at 36 with no business.

Dairy Farm, Ice & Cold Storage Co., Ltd.

An Extraordinary General Meeting of the Company will be held on November 21, for the purpose of considering and passing the following Resolution as an ordinary Resolution:—That the authorised capital of the Company be increased from its present capital of \$2,250,000 divided into 300,000 shares of \$7.50 each (of which 293,335 shares have been issued) to \$7,500,000 by the creation of 700,000 additional shares of the nominal value of \$7.50 each and that the unissued shares of the Company's capital and such additional shares as aforesaid shall be issued at such time or times and upon such terms and conditions as the Company's Board of Directors in their absolute discretion shall think fit.

The Directors will offer 6,665 shares of the Company of the nominal value of \$7.50 each (being the present unissued capital of the Company) together with an additional 188,892 shares of the nominal value of \$7.50 each created in accordance with the above Resolution all at a premium of \$7.50 per share and on the footing that the full nominal value of each share taken up plus the premium (making together \$15.00 per share) shall be paid in full on acceptance of the offer not later than the 31st March, 1948.

COMMERCIAL MARKET REPORTS

HIGHER RICE PRICES IN HONGKONG AND BANGKOK

Government rationed rice price has been increased this week from 40 to 48 cents per catty (1.33 lb.). From March to mid-May the rationed rice price was 44 cents and was reduced then to 40 cents. The increase in price of rationed rice will probably result in a stiffening of the attitude of local labour in current and future negotiations with management. It was mainly the working class which benefitted from Govt. rationed food issues and the continuance of cheap supply of staple foodstuffs (like rice, flour and sugar) is a major argument by management in keeping wages at the present level or at least warding off excessive demands for increase of pay.

The psychological effect is unfavourable but conditions in Siam were compelling Govt. to raise the price. The increase is due to the higher price of rice in Bangkok (from £24 to £31 per ton, ex rice mill in upcountry, incl. about 35% broken cargo) which took effect from beginning of September, and also to the receipt of several consignments of very expensive rice from Egypt.

One ton of Siamese rice, about 1,680 catties, comes to over £35 c.i.f. Hongkong provided that pilferage and loss do not exceed 7 to 8%; in many instances losses have been much heavier. Govt. sells rice locally (through authorised rice dealers and retailers, c.f. our issue of Oct. 22, p. 505) at an average price which is calculated to result in neither loss nor profit.

To suppress cost of living especially of the working class Govt. would have to subsidise imported foodstuffs but such procedure is impracticable and also impossible in view of the budget position of the Colony. The unpleasant fact, however, to be deduced from the increased cost of rationed rice remains, viz. no reduction in wages for Hongkong's industrial labour can be expected.

Chinese and Foreign Rice

Rationed rice (3½ catties per 10 days) and rationed flour (1½ lbs. per 10 days) are covering the requirements of labourers to about 40 to 50%, i.e. some 3½ to 4 catties of rice per 10 days have to be purchased by workers on the open rice market. (There are many workers who eat daily one catty or 0.605 kilograms of rice but the majority consumes not more than ¾ catty or 12 taels). The open market price for medium grade rice is currently around 60 cents while first grade white rice costs 80 cents per catty. The open market price remains steady. The average Chinese prefers locally produced or Chinese rice to imported produce (Siamese, Burmese and Indochinese rice are regarded as second class).

The local open market price and the price in Kwangtung (Canton as well as on the borders of the Colony and China) have been recently at considerable variance; rice in neighbouring Kwangtung is about 50% cheaper than rice on the local open market or about the same price as the price of Hongkong Govt. rationed rice. First quality rice in Canton sells at an equivalent of 40 to 45 Hongkong cents (current prices being in Canton in C.N.\$: 1st quality 374,000; 2nd quality 349,000; 3rd quality 282,000) while third quality rice is sold just across the frontier at between 30 to 35 H.K. cents. This difference in price encourages smuggling which is very extensively practiced by individuals (for own use and as a business) and by some organisations.

Rice and Cost of Living

Before the war rice cost here between 7 to 8 cents per catty; in terms of this staple cost of living has increased 700 to 900% (for ordinary and 1st quality rice respectively). General cost of living may have advanced only by 200 to 300%.

Reduced cost of living depends primarily on the solution of the problem of high costs of rice in Hongkong. Unless the open market price of rice can be brought down to a level near the current price of rationed rice (48 cents)—a development which should be possible in view of the relatively low rice prices prevailing in neighbouring Kwangtung—any talk about reduction of production costs and wages is premature.

SIAM'S RICE POSITION

Siam has failed to live up to all agreements signed between her Govt. and the allied powers, Britain & the U.S. The first agreement of Jan. 1, 1946 provided that Siam was to supply as war reparations 1½ million tons of rice, the term of delivery being one year, later extended several times eventually to Aug. 1947. The rice furnished areas of South East Asia particularly Malaya did not obtain quantities as stipulated and agreed upon by Siam, rice famines continued and black markets in rice sprung up in increasing numbers all over S.E. Asia.

The Allies decided to amend the original agreement and signed on May 1, 1946 a new paper which required the Siamese Govt. to deliver 1.2 million tons of rice, this time, however, a cheap price was allowed to Siam viz. £12.14— per ton. Deliveries were inadequate and far behind the monthly targets set by the Allies and Siam. By the end of 1946 only 400,000 tons of rice were exported by Siam under the rice agreement. That was a disappointing figure; pre-war Siam produced annually 4.8 million tons of which about 1½ million tons were regularly exported yielding for Siam about 50% of total foreign exchange earnings.

Again a new amended agreement was signed by Britain-U.S. and Siam, on Dec. 24, 1946 which further reduced the original quantity of rice deliveries; now Siam promised to deliver until Aug. 31, 1947 a total of 600,000 tons (in addition to the delivered 400,000 tons), i.e. a reduction of 200,000 tons was granted. At the same time the rice purchase price by the Allies was raised to £24 per ton which price corresponded to the open market price in that part of S.E. Asia. The Siamese Govt. agreed to guarantee delivery under penalty which was that any non-delivered quantity after the deadline was to be exported free of charge.

By end of July only 271,000 tons were shipped to the Allies and Siam again defaulted. And again the agreement was amended and reduced to 420,000 tons (i.e. 180,000 tons less than agreed on Dec. 24, 1946, and 680,000 tons less than originally agreed on Jan. 1, 1946).

This last agreement was made between Siam and the International Emergency Food Council, Washington, according to which Siam was to deliver the remainder (i.e. about 149,000 tons as after July 1947) by Dec. 31, 1947. A final report by the Food Council will be issued by the end of this year when the position will be reviewed and by which time it is hoped Siam will have discharged her many times amended and reduced obligation.

The purchase price of rice as from Aug. 31, 1947 has again be raised to £31 per ton (ex mill), incl. broken rice.

IMPORTS OF CHINESE RICE

The Kwangtung Provincial Govt. continue with the embargo on exports of many foodstuffs notably rice explaining it with the shortages prevailing in South China. While this may be true to some extent the fact remains that rice supplies in Canton and major Kwangtung cities are ample.

Exports of rice to Kwangtung's neighbours Hongkong and Macao, while officially banned, are nevertheless regularly and adequately arriving in the Portuguese and British Colonies. The ban on rice exports appears to many observers only a means to enable certain authorities and well-connected people to make substantial profits from trading illicitly in rice.

Kwangtung could, in the spirit of cooperation which is continually on official lips, allocate a certain quantity of rice for monthly export to the consuming Chinese residents of Hongkong and Macao and thus eliminate all rice smuggling and the ramp in prices. As it is, however, rice in Kwangtung costs only about half of what is demanded on the open market in Hongkong while Macao's rice market is quoting usually only some 10% higher than the Chungshan district.

Kwangtung has a population of some 32 million who all are rice eaters. The Chinese population of Hongkong is

probably around 1.6 million and Macao's Chinese number at most 200,000. Hongkong's monthly rice consumption is at most 18,000 tons but since Hongkong Govt., under the rice rationing scheme, imports (mainly from Siam, Burma) and supplies rice to the 1.1 million ticket holders with approx. 6,600 tons per month, the balance requirement of the local Chinese should be 11,000 tons per month. Macao's total rice requirements may be about 2,000 tons per month. Hongkong, in addition, grows a very fine quality of rice (in the New Territories) which could supply about 5% of total consumption in the Colony.

Thus, the "overseas Chinese" in Hongkong and Macao may at most consume every month 13,000 tons of Chinese rice. However, much rice is commercially imported from Far Eastern countries but the average Chinese still prefers for his diet Chinese rice.

Since the combined populations of Hongkong and Macao only amount to about 6% of Kwangtung's population it should be easy and simple to make provisions in Canton to allocate an adequate quantity of rice every month for export to the neighbouring two Colonies. Such measure would automatically reduce the open market price of rice here and constitute a proof of cooperation on the part of the Kwangtung authorities as well as of solicitude for the well-being of the "overseas Chinese".

The rice smugglers, as far as they are not the ordinary individuals and householders with innumerable children, are usually connected with high officials in Canton, in district towns, with army and pacification guard officers; their position is strong and they earn large amounts of foreign exchange (which of course is only partly retained). Kongmoon, Shekkee, Szeki, Yungchi, Shumchun, along the land sea borders of Macao and Hongkong, there are the rice smugglers headquarters; but the "overall command" is located in Canton.

It is sheer hypocrisy to speak in Canton of "rice racketeers" when it is common knowledge that important and powerful interests are conducting, or at least benefitting from, the unreasonable total export embargo on rice.

DISSATISFACTION WITH AMERICAN SHIPMENTS

Local and China importers are vociferous in their claims that a considerable number of American exporters continue to deliver goods contrary to specifications and terms of contract. A large number of complaints has been lodged with U.S. Consulates.

The most frequent complaint is concerned with what is called by importers as the unscrupulous exploitation of the advantages inherent in the Irrevocable Letter of Credit system. The American

exporter receives payment for his goods upon presentation of shipping documents to a bank in the U.S., usually 3 to 4 weeks before the goods arrive here and are surveyed, but then the discovery by local importers of the inferior quality of his goods is of little if any use.

American exporters insist on Irrevocable L/C's opened in their names and, while this is today an accepted practice and welcomed by the commercial community, it allows the unfaithful merchant to pass inferior goods for the specified articles and thus, through substitution, inflict losses on the importers here.

A few cases may be cited: Fresh oranges were ordered in the sizes of 180/220 per case but the exporter substituted them with 330/345 per case; since smaller oranges as is the case also with other fruits sell at a considerable discount against the large size such substitution resulted in a loss.—Plastic and transparent combs of first grade were substituted with celluloid grade.—Well-known truck tires of first grade were substituted (although stipulated expressly on the L/C) by inferior ones of a locally unknown brand; as particularly the Oriental customer is used to buy according to brand and name of manufacturer, such substitution results in heavy losses, often unsaleability of the article.—Dyestuffs and industrial chemicals stipulated expressly to be of certain brands and manufactures eventually arrive here in altogether different packages, from a different factory and showing an unknown brand.—Dyestuffs of 300% strength were substituted with 100% to at most 150%.

Importers' claims, supported by documentary proof signed by registered surveyors, are usually not entertained when sent to the exporter in the U.S. Often unpleasant correspondence ensues and legal actions are threatened. But all to no avail.

Provided that an American Consulate here or in China would take up the substantiated claim of an importer very much time would be lost in obtaining eventual redress with the importer, having the cargo, and the exporter, having the cash, being in an unequal position.

A good deal of business, hastily concluded by hundreds of local companies, new to their field and the profession, usually with the mushrooming exporters in the U.S., who also only think of rather doing a few businesses at extraordinary profit than routine trading at usual margins, has thus resulted in losses by local firms.

Slowly but surely the realisation dawns on all that merchant business requires long experience, character and invariably a great effort; the fly-by-night types, even if outwardly very respectable and impressive (by stationery and mien), have done much harm even to old-established houses but this time now appears to be over since we, at least in Hongkong, are in the middle of a buyers' market where one can afford to be more careful than during the heyday of 1946.

COTTON CLOTH MANUFACTURING

East and North African import requirements for cotton cloth are very large and orders for them have also been submitted to Hongkong where, since mid-October, the Department of Supplies, Trade & Industry (S.T. & I.) studies the position as regards prices offered and possibilities for delivery. The total order which may go to Hongkong weaving mills amounts to 60 million yards or 1½ million pieces of cotton cloth. The inquiry has been studied here by the H.K. Chinese Manufacturers' Union in consultation with the H.K. Cotton Cloth Manufacturers' Association.

The prices offered by African importers are considered too low but Japanese industries are said to have declared their willingness to accept the whole or part of the order of 60 million yards at the proposed quotations which are as follow:—

(Prices in H.K. currency) (1) \$0.70 per yard or \$28 per piece of cloth for 40 yards by 30 inches using 20's cotton yarn both in warp and filling; (2) \$0.96 per yard or \$38.40 per piece of 40 yards by 36 inches with 14's and 15's cotton yarn for warp and filling respectively; (3) \$1 per yard or \$40 per piece of 40 yards by 36 inches with 20's for both warp and filling; and (4) \$1.02 per yard or \$40.80 per piece of 40 yards by 36 inches with 24's and 23's yarn for warp and filling respectively. All the prices are c.i.f. Port Sudan.

Each piece of cloth would require about eight pounds of 20's cotton yarn. The S.T. & I. control price is \$27.28 and the open market price is \$28. Accordingly, the prices offered by African merchants only cover the eight pounds of cotton yarn required for manufacturing one piece of cloth (40 yards by 30 inches). The manufacturing costs such as labour, bleaching, dyeing, packing are estimated at \$5 per piece. Freight is another item. Local wholesale price of cotton cloth (40 yards by 28 inches) made of 20's cotton yarn for both warp and filling is today \$37 per piece.

The Cotton Cloth Manufacturers' Association held several meetings among its members and with the H.K. Chinese Manufacturers' Union and the upshot was that they jointly submitted a request to the Dept. S.T. & I., asking for the allocation of the required cotton yarn at a much cheaper price. They estimated that if 20's cotton yarn were available at \$1,200 instead of the present controlled price of \$1,400 per bale, local cotton cloth weaving factories may be able to accept the order and obtain the big order instead of Japanese manufacturers.

S.T. & I. has so far been able to buy yarn both in Japan and in Shanghai but now new investigations are made into additional supply sources (mainly India and the U.K.). The high price of locally distributed yarn militates against the acceptance of the African order. The yarn price will eventually make or break the business.

A counter offer to Africa may not produce any favourable reply although arguments seem to be in favour of Hongkong

at least in the eyes of the naturally biased H.K. Cotton Cloth Manufacturers' Association.

Current operation of weaving mills is around 25 to 45 percent of capacity (one shift per day plus overtime). A total of 270 cloth weaving mills are established in the Colony but not all are working. There are a few small weaving shops here which are not registered either with Govt. or with the Association. The 270 mills own among themselves 6,870 power driven and hand looms. Their total capacity is now investigated by their Association.

Current stocks of cotton yarn (from Japan and Shanghai) are around 10,000 bales which quantity should, at the present rate of occupation, meet the mills' requirements for 3 months. The weaving of cloth for the big African order would require around 30,000 bales of yarn.

Hongkong's exports of cotton cloth for Jan. through Sept., 1947:—

January	.....	\$ 19,344,496
February	.....	11,227,323
March	.....	4,070,272
April	.....	13,109,591
May	.....	12,601,812
June	.....	14,329,109
July	.....	18,268,862
August	.....	16,142,256
September	.....	15,033,638
Total	.....	\$124,127,359

VEGETABLE OIL MARKETS

A leading Chinese vegetable oil firm, Bekoy & Co., buying in the interior of China and in the local native market mainly tung, rapeseed, teased and some sesame seed oil which in turn was sold to local exporters has been unable last week to honour its contracts and its managing proprietor has so far not returned the considerable amounts which had been entrusted to him for making oil purchases. The matter is now under private investigation and the authorities have not been informed as it is anticipated that a partial refund of the outstanding amounts can be arranged.

The Chinese firm has been doing a very large business during this year and has shown much initiative in promoting vegetable oil exports. The clients of the firm were the leading vegetable oil exporters (European and Chinese) of Hongkong. It is too early to account for the failure of Bekoy & Co. as books and papers were unfortunately not kept in order and the reconstitution of business deals is thus made very difficult.

The firm has been contracting large debts and has paid to local Chinese banks enormous rates of interest; 7 to 8% per month were demanded by such banks and paid by the managing proprietor of Bekoy & Co. European vegetable oil exporters advanced regularly several millions of H.K.\$ to the firm which required these amounts for its purchases. There may have been some failures to deliver or even foul play on the part of some suppliers of Bekoy who are

located in Canton, Wuchow, etc. Furthermore, the firm was also imprudent in concluding tung oil contracts with exporters here at comparatively low prices when the trend was upward and it so happened that purchases by Bekoy had to be made in the interior and in the local native market (Nampakhong) in many cases at a loss as high as 30%.

However, there exists a considerable discrepancy which remains to be cleared up; Bekoy may have suffered losses due to failure on part of Chinese suppliers and the market price development; then there were large expenses incurred because of the payment by Bekoy of extortionate interest (a matter which requires serious study by Government); however, the total amount received by Bekoy from local exporters and creditors for the purchase of various vegetable oils is much larger than the estimated total of losses and expenses. The nature and origin of this gap will have to be discovered before the whole business failure can be judged.

The largest item on the list of non-delivered oil are almost 1,000 tons of rapeseed oil; next come several hundred tons of tung oil and a rather small quantity of teased and sesame seed oil.

The market reacted to this failure which almost looks like a scandal with great nervousness. Vegetable oil exports have assumed the first place in Hongkong's trade with abroad and the importance of this market as a supplier of hard currencies has often been stressed in this Review. Bekoy & Co. have in the past proved to be one of the most active suppliers and their turnover was, of all private companies, probably the largest. There was, consequently, last week some forced quiet in the market and the denouement of the Bekoy case was eagerly awaited but the lack of adequate book keeping confused the situation.

However, business this week was getting back to normal; the temporary or possibly final elimination of Bekoy as a buyer has brought to the fore a number of other companies some of whom previously indirectly supplied local exporters by selling to Bekoy. The volume of business will not in any way be affected by Bekoy's failure.

The European vegetable oil exporters may learn a lesson from this case; the necessity to be very cautious when dealing with individual merchants cannot be over-emphasised. It would have been impossible for the Chinese firm to accumulate such large debit balances if the creditors had occasionally looked into the (nonexistent) books of the firm and also if the exporters would have kept some liaison among themselves. It will prove of great mutual advantage if in future a more or less regular conference among the vegetable oil exporters is arranged at which the market position could be reviewed and thus also a stabilising factor be introduced into the unorganised market which prevails at present.

The case also reveals that it is comparatively easy to contract debts which run into millions while small overdrafts are usually refused.

TIN ALLOCATIONS & PRICES

The Combined Tin Committee on Oct. 29 announced final allocations for the second half of 1947 amounting to 7,085 long tons. This allocation is in addition to others made this year, bringing total allocations to date to 38,857 tons.

Although the allocations are final certain countries may receive additional grants when appropriate clarifications have been made in their requirements submitted to the Committee. Allocations were somewhat higher than had been anticipated due to a moderate increase in export availabilities from the producing countries.

The allocations included Ceylon 22 tons, Hongkong 61 tons, India 651 tons, New Zealand 80 tons, Philippines 14 tons and the United States 7,143 tons.

Malayan Tin

Malayan tin mining interests claim, with some justification, that the present Sterling price is too low in view of the Malayan costs. The question of raising the tin price is so important from the U.S. dollar angle that it will have to be decided upon at the Cabinet level rather than by the Ministry of Supply in London.

In Singapore there are confident reports that the new price will be around £525 but these reports seem to be premature and over-precise in view of the fact that nobody knows how the American negotiations with the Bolivian tin suppliers scheduled at the beginning of next year will come out. The Bolivian price will again become the nearest thing there is to the world price and the London price may be obliged to take it into consideration. Hence the feeling that it is over early to suggest a specific price.

LOCAL PRODUCE MARKETS

Tung oil prices remained rather stable in the native dealers' market, \$175 to 178 per picul. Sesame oil quoted unchanged 270. Peanut oil slightly firmer at 182. Teaseed oil around 160. Rapeseed oil 158 to 163. Coconut oil (from Siam and Malaya) 120 to 122 (all prices in HK\$ per picul).

Wolfram ore, 65%, quoted in the dealers' market \$380. Antimony ore \$170 and Tin from Yunnan \$140 per picul.

China Produce

(NEW YORK MARKET) (in US\$, per pound, f.o.b. U.S. ports)	
Antimony, 99½ percent grade in bulk of carload lots	0.33
Tin, grade A (99.8 percent or higher)	0.80
Tungsten powdered (98 to 99%)	3.05
Wolframite, Chinese (per short ton unit; ore containing tungsten trioxide) incl. duty paid	0.29/31
Aniseed Oil	0.70/85
Cassia Oil	2.50/3.00
Tung Oil, in tank cars	0.26½
Sandalwood Oil, in drums, depending on sellers quantity and quality	13.75
Bristles:	
Hankow, Regular Assortments	2.90
Chungking, " "	1.95
Shanghai, " "	1.80
Tientsin, short 55's	4.10
" regular 55's	6.30

Korean Produce

(NEW YORK MARKET) (in US\$, per pound, f.o.b. U.S. ports)	
Agar Agar	3.95/4.65
Beryllium (10 to 12 percent) per ton	14.00/16.00
Molybdenum (90 percent)	0.45

HONGKONG'S IMPORTS & EXPORTS OF MINERALS & ORES

In September 1947 there were no recorded ANTIMONY imports or exports.

WOLFRAM ORE was imported from Macao only, 481 piculs valued \$127,328; and exports totalled 2,962 piculs for \$1,102,605. Exports went to: France 1,260 piculs \$463,961, to Sweden 610 piculs \$248,040, and to the U.S. 1,092 piculs \$390,604. The local Exportable office is no longer in the market; wolfram ore of Korean origin is available to the Soviet Union in very large quantities from Northern Korean mines.

TIN trade in September was as follows: Imports of tin slabs & ingots from Indo-China 285 piculs valued \$125,400; from South China 10,885 piculs at \$3,321,121. Exports were recorded only of Chinese tin to U.K. 168 piculs \$68,320, and to U.S. 682 piculs \$276,055.

H.K.'S VEGETABLE OIL TRADE IN SEPTEMBER

COCOANUT OIL has been arriving here in large quantities from Siam which country is now our main supplier. The allocation from Malaya has been exceeded by registered imports from Malaya. Some oil produced in Malaya has reached us via Bangkok as smuggling between Malaya and Siam continues. The Netherlands Indies have resumed their important position as a supply base for coconut oil and are now ranking second to Siam. Our main buyers were Belgians who took about 50% of all Sept. exports. Other exports were consigned to Holland, Japan, Egypt and, to a small extent, to China.

ESSENTIAL OIL business has decreased compared to earlier months of this and especially last year. Aniseed and cassia oil trade was almost negligible.

Of all vegetable oils exports of TEA-SEED OIL and RAPESEED OIL ranked first. As regards rapeseed oil no separate statistics are available but practically all oil under the heading of "Vegetable oils, not otherwise enumerated" constitutes rapeseed oil. As will be seen from the tables there were hardly any imports re-

gistered but exports totalled over 48,000 piculs valued at \$7½ million. Under teaseed oil statistics imports will be found to have valued 4.6 million against an export value of 8.7 million; this discrepancy is due to the considerable import smuggling of edible oils into Hongkong a consequence of the Chinese ban on exports of most edible oils. The largest buying interests for teaseed oil remain France, Britain and Holland while rapeseed oil exports also are taken up by European countries, viz. France, Holland, Italy; and to a small degree by the U.S.

Business in linseed, peanut, sesamum, soya bean oils has been insignificant.

WOOD (TUNG) OIL imports in Sept. aggregated 39,474 piculs but exports, against previous months, fell off very much, totalling only 28,464 piculs valued \$3½ million.

Tea Seed Oil

	Piculs	\$	Piculs	\$
U.K.	—	—	18,015	3,393,782
S. China ..	26,525	4,674,157	—	—
France	—	—	25,743	4,424,547
Holland	—	—	5,040	907,200
Total	26,525	4,674,157	48,798	8,725,529

Wood Oil in Drums

	Piculs	\$	Piculs	\$
Australia ..	—	—	2,217	328,368
Malaya	—	—	56	10,429
N. Zealand ..	—	—	966	132,978
N. Borneo ..	—	—	5	917
Belgium	—	—	1,237	182,828
N. China ..	377	56,604	—	—
S. China ..	38,977	5,220,034	—	—
France	—	—	840	126,000
Indochina ..	30	4,200	—	—
Germany	—	—	6,720	739,200
Holland	—	—	168	18,480
Italy	—	—	1,327	201,850
Macao	90	15,300	6	900
Norway	—	—	420	46,200
Siam	—	—	11	2,090
U.S.A.	—	—	1,219	150,370
Total	39,474	5,296,138	15,192	1,940,610

Wood Oil in Bulk

	Piculs	\$	Piculs	\$
U.S.A.	—	—	13,272	1,638,320
Total	—	—	13,272	1,638,320

Vegetable Oils
(not otherwise enumerated)

Countries	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
U.K.	—	—	302	48,384
Malaya	216	19,504	—	—
M. China ..	—	—	3	630
S. China ..	1,933	303,409	—	—
France	—	—	15,120	2,322,000
Holland	—	—	21,000	3,345,700
Italy	—	—	9,240	1,478,400
Macao	1,403	202,300	88	10,832
Philippines ..	1,959	222,550	—	—
Siam	—	—	1	220
U.S.A.	—	—	2,520	378,000
Total	5,511	747,763	48,274	7,584,166

Linseed Oil

Countries	Piculs	\$	Piculs	\$
India	151	24,270	—	—
Malaya	138	11,040	16	1,035
Belgium	—	—	4,365	764,400
Siam	—	—	9	3,230
Total	289	35,310	4,390	768,665

Peanut Oil

Countries	Piculs	\$	Piculs	\$
Malaya	—	—	150	30,000
S. China ..	8	1,200	—	—
Macao	188	37,760	—	—
Siam	294	57,895	—	—
U.S.A.	—	—	88	25,435
Total	490	96,855	238	55,435

Sesamum Oil

Countries	Piculs	\$	Piculs	\$
Malaya	—	—	3	902
S. Africa ..	—	—	1	115
Macao	—	—	2	293
N.E. Indies ..	—	—	2	426
Philippines ..	—	—	7	1,871
Siam	4	540	—	—
U.S.A.	—	—	28	7,990
Total	4	540	43	11,597

Soya Bean Oil

Countries	Piculs	\$	Piculs	\$
Macao	—	—	11	1,404
Philippines ..	—	—	61	2,400
Total	—	—	72	3,804

Aniseed Oil

Countries	Piculs	\$	Piculs	\$
U.K.	—	—	152	42,163
Australia ..	—	—	47	13,825
S. China ..	974	309,549	—	—
France	—	—	268	44,735
Indochina ..	—	—	3	1,087
Holland	—	—	79	26,775
U.S.A.	—	—	237	62,409
Total	974	309,545	786	190,994

Cassia Oil

Countries	Piculs	\$	Piculs	\$
Australia ..	—	—	6	6,606
China	17	18,459	—	—
Macao	7	7,413	—	—
U.S.A.	—	—	111	114,138
Total	24	25,872	117	120,744

Cocoanut Oil

Countries	Piculs	\$	Piculs	\$
Malaya	2,222	280,734	—	—
N. Borneo ..	569	67,150	—	—
S. Africa ..	—	—	135	17,740
Other Emp. ..	—	—	838	114,754
Belgium	—	—	15,806	1,973,834
N. China ..	—	—	911	95,708
M. China ..	—	—	1,242	163,246
S. China ..	210	27,300	6	780
Egypt	—	—	1,812	238,188
Holland	—	—	5,999	374,717
Italy	—	—	330	41,100
Japan	—	—	4,560	620,235
Macao	—	—	330	45,000
N.E. Indies ..	4,277	577,700	—	—
Siam	14,985	1,827,405	—	—
Iraq	—	—	707	91,868
Total	22,263	2,780,289	32,676	3,777,170

**HONGKONG'S TRADE
IN BRISTLES**

(September 1947)

Countries	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
U.K.	—	—	301	356,980
S. China ..	370	329,018	—	—
France	—	—	50	32,000
U.S.A.	—	—	942	1,009,999
Total	370	329,018	1,293	1,398,979

**HONGKONG'S TRADE
IN METALS
(for September 1947)****BARS (BRASS)**

Countries	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
U.K.	59	8,603	—	—
Australia ..	84	7,350	—	—
N. China ..	—	—	19	750
Macao	—	—	2	257
Total	143	15,953	21	1,007

Bars (Copper)

Countries	Piculs	\$	Piculs	\$
U.K.	420	59,360	—	—
U.S.A.	672	100,000	—	—
Total	1,092	159,360	—	—

Sheets, Brass

Countries	Piculs	\$	Piculs	\$
U.K.	74	15,375	—	—
S. China ..	—	—	34	3,360
Macao	—	—	4	1,200
Siam	—	—	8	1,500
Total	74	15,375	46	6,060

Sheets, Copper

Countries	Piculs	\$	Piculs	\$
U.K.	70	12,978	—	—
N.E. Indies ..	49	7,840	—	—
Siam	—	—	3	1,288
U.S.A.	115	24,100	—	—
Total	234	44,918	3	1,288

Zinc Sheet

Countries	Piculs	\$	Piculs	\$
U.K.	20	8,433	—	—
Belgium	974	119,003	—	—
M. China ..	—	—	116	10,700
S. China ..	—	—	1,879	164,811
Macao	56	5,223	259	28,260
Philippines ..	—	—	85	4,120
U.S.A.	6	710	—	—
Poland	586	71,599	—	—
Total	1,642	204,968	2,339	207,891

Tubes, Copper

Countries	Piculs	\$	Piculs	\$
U.K.	24	8,552	—	—
M. China ..	—	—	1	782
Siam	—	—	3	1,493
Canada	90	19,274	—	—
U.S.A.	53	12,614	—	—
Total	167	40,440	4	2,275

Wire, Brass

Countries	Piculs	\$	Piculs	\$
S. China ..	—	—	100	7,000
Siam	—	—	8	1,750
U.S.A.	12	2,117	—	—
Total	12	2,117	108	8,750

Wire, Copper

Countries	Piculs	\$	Piculs	\$
U.K.	78	12,463	—	—
Philippines ..	230	30,000	—	—
Total	308	42,463	—	—

Brass (not otherwise enumerated)

Countries	Piculs	\$	Piculs	\$
U.K.	371	64,590	—	—
India	—	—	448	23,500
N. China ..	—	—	924	49,640
S. China ..	—	—	750	30,000
Macao	—	—	39	1,745
N.E. Indies ..	775	23,433	—	—
Philippines ..	3,558	230,968	—	—
U.S.A.	730	134,032	—	—
Total	5,434	453,023	2,161	104,885

HONGKONG'S TRADE RETURNS FOR THE MONTH OF SEPTEMBER 1947

TOTAL VALUES OF IMPORTS & EXPORTS UNDER MAIN GROUPS BY COUNTRIES

UNITED KINGDOM			AUSTRALIA			BURMA		
Articles	Imports	Exports	Articles	Imports	Exports	Articles	Imports	Exports
	\$	\$		\$	\$		\$	\$
Building Materials	79,394	—	Animals, Live	112,594	—	Chinese Medicines	—	9,586
Chemicals & Drugs	1,368,335	75,399	Building Materials	122,154	92,827	Dyeing & Tanning	—	—
Chinese Medicines	—	10,795	Chemicals & Drugs	260,196	—	Materials	3,000	—
Dyeing & Tanning	—	—	Chinese Medicines	—	20,685	Foodstuffs & Pro-	—	—
Materials	917,555	—	Dyeing & Tanning	—	—	visions	2,502,910	168,920
Foodstuffs & Pro-	—	—	Materials	13,613	—	Hardware	—	36,129
visions	191,931	109,549	Foodstuffs & Pro-	—	—	Metals	—	12,460
Hardware	388,189	—	visions	2,989,342	87,379	Nuts & Seeds	—	200
Liquors, Intoxicat-	—	—	Fuels	4,599	—	Paints	—	35,794
ing	138,122	—	Hardware	20,123	46	Paper & Paper-	—	—
Machinery & En-	—	—	Liquors, Intoxicat-	—	—	ware	—	63,170
gines	324,357	—	ing	9,246	153	Piece Goods &	—	—
Metals	1,655,900	68,320	Machinery & En-	—	—	Textiles	—	4,000
Minerals & Ores	2,795	56,329	gines	37,009	—	Wearing Apparel	—	241,756
Oils & Fats	27,955	3,484,329	Metals	169,116	—	Sundries	—	481,393
Paints	138,261	—	Nuts & Seeds	—	108	Total	2,505,910	1,053,408
Paper & Paper-	—	—	Oils & Fats	364,722	348,799			
ware	359,265	—	Paints	45,842	—			
Piece Goods &	—	—	Paper & Paper-	—	—			
Textiles	3,446,257	—	ware	21,207	205			
Railway Materials	68,285	—	Piece Goods & Tex-	—	—			
Tobacco	2,494,895	—	tiles	1,625,187	60,823			
Vehicles	841,635	—	Railway Materials	1,192	—			
Wearing Apparel	265,137	58,942	Vehicles	77,880	—			
Sundries	1,580,441	786,905	Wearing Apparel	51,549	76,811			
			Sundries	394,754	481,876			
Total	14,288,709	4,650,568	Total	6,320,325	1,169,712			

CANADA

Articles	Imports	Exports
	\$	\$
Chemicals & Drugs	140,744	—
Chinese Medicines	13,000	67,311
Foodstuffs & Pro-	—	—
visions	556,830	229,649
Hardware	3,585	1,437

Wire, Galvanized

	Piculs	\$	Piculs	\$
U.K.	1,230	53,316	—	—
India	—	—	445	42,570
Malaya	—	—	50	4,820
N. Borneo	—	—	3	225
Belgium	2,798	189,730	—	—
M. China	—	—	506	18,000
S. China	—	—	953	53,800
France	2,868	207,283	—	—
Holland	2,899	216,835	—	—
Italy	2,035	147,028	—	—
Macao	—	—	194	12,997
N.E. Indies	—	—	5	425
Siam	—	—	1,035	68,619
U.S.A.	9,329	417,684	—	—
Total	21,159	1,231,876	3,191	201,456

Lead (N.O.E.)

	Piculs	\$	Piculs	\$
Malaya	155	8,396	—	—
S. China	36	2,302	144	7,470
Macao	—	—	79	3,248
N.E. Indies	354	22,947	—	—
Philippines	3	200	—	—

Siam	—	—	100	6,400
U.S.A.	1	91	—	—
Total	549	33,936	323	17,118

Zinc or Spelter (N.O.E.)

	Piculs	\$	Piculs	\$
M. China	—	—	8	400
S. China	—	—	407	38,487
Macao	—	—	130	4,920
U.S.A.	840	79,200	—	—
Korea	—	—	143	13,000
Total	840	79,200	688	56,807

Aluminium

	Piculs	\$	Piculs	\$
Australia	252	15,000	—	—
Canada	180	60,000	—	—
S. China	—	—	282	89,960
K. C. Wan	—	—	9	3,000
Macao	—	—	167	47,933
Philippines	228	17,575	—	—
U.S.A.	213	77,356	—	—
Total	873	169,931	458	140,899

Copper (not otherwise enumerated)

	Piculs	\$	Piculs	\$
U.K.	27	2,999	—	—
S. China	—	—	40	2,520
N.E. Indies	724	31,836	—	—
Philippines	618	57,055	—	—
Total	1,369	91,890	40	2,520

IMPORTS & EXPORTS OF TINPLATES

		(September 1947)			
Countries		Imports		Exports	
		Quantity	Value	Quantity	Value
		Piculs	\$	Piculs	\$
U.K.	2,397	180,553	—	—	—
Malaya	300	45,000	—	—	—
S. China	—	—	—	1,989	179,728
Macao	—	—	—	90	8,100
U.S.A.	2,314	149,231	—	—	—
Korea	—	—	—	300	40,000
Total	5,011	374,784	2,329	227,828	

Liquors, Intoxicating	42,435	—
Machinery & Engines	4,638	—
Metals	95,409	—
Nuts & Seeds	1,909	—
Oils & Fats	25,500	—
Paints	40,000	—
Paper & Paperware	332,228	1,802
Piece Goods & Textiles	11,666	—
Tobacco	47,500	510
Vehicles	88,300	—
Wearing Apparel	18,550	—
Sundries	125,327	38,420
Total	1,545,712	341,038

CEYLON

Articles	Imports	Exports
	\$	\$
Chemicals & Drugs	—	7,200
Chinese Medicines	—	10,212
Foodstuffs & Provisions	48,476	284,917
Hardware	—	39,269
Paints	—	889
Paper & Paperware	—	1,848
Wearing Apparel	—	33,990
Sundries	—	119,659
Total	48,476	497,975

EAST AFRICA

Articles	Imports	Exports
	\$	\$
Foodstuffs & Provisions	76,086	—
Piece Goods & Textiles	—	21,723
Wearing Apparel	—	28,499
Sundries	33,260	85,606
Total	109,346	135,828

INDIA

Articles	Imports	Exports
	\$	\$
Chemicals & Drugs	—	68,100
Chinese Medicines	—	13,415
Foodstuffs & Provisions	204,145	102,020
Fuels	1,376,749	—
Hardware	6,535	—
Machinery & Engines	364	10,000
Metals	—	425,797
Nuts & Seeds	—	810
Oils & Fats	24,270	2,240
Paper & Paperware	—	1,000
Piece Goods & Textiles	301,074	258,133
Tobacco	—	6,331
Wearing Apparel	4,565	792
Sundries	1,139,127	1,556,497
Total Merchandise	3,056,829	2,445,135
Treasure	—	1,088,000
Grand Total	3,056,829	3,533,135

MALAYA (BRITISH)

Articles	Imports	Exports
	\$	\$
Building Materials	39,621	75,000
Chemicals & Drugs	94,328	315,769
Chinese Medicines	23,336	615,982
Dyeing & Tanning Materials	87,365	517
Foodstuffs & Provisions	480,974	3,081,722
Fuels	253,889	—
Hardware	5,600	366,636
Liquors, Intoxicating	—	170,122
Machinery & Engines	3,774	13,400
Metals	89,100	6,470
Nuts & Seeds	2,003,605	78,412
Oils & Fats	324,623	83,921
Paints	—	271,959
Paper & Paperware	196,890	277,284
Piece Goods & Textiles	132,500	4,340,198
Tobacco	—	794,800
Vehicles	132,288	16,900
Wearing Apparel	—	1,438,849
Sundries	5,948,806	2,339,306
Total	9,816,699	14,287,247

NEW ZEALAND

Articles	Imports	Exports
	\$	\$
Chinese Medicines	—	8,862
Foodstuffs & Provisions	—	37,706
Hardware	—	480
Liquors, Intoxicating	—	3,262
Metals	—	34,588
Oils & Fats	—	132,978
Piece Goods & Textiles	—	55,175
Wearing Apparel	—	81,339
Sundries	74,255	84,740
Total	74,255	439,130

NORTH BORNEO

Articles	Imports	Exports
	\$	\$
Building Materials	380,386	6,879
Chemicals & Drugs	240	553
Chinese Medicines	800	9,398
Dyeing & Tanning Materials	—	80
Foodstuffs & Provisions	83,921	72,381
Fuels	103,961	—
Hardware	—	10,265
Liquors, Intoxicating	—	15,570
Machinery & Engines	—	63,370
Metals	—	7,853
Nuts & Seeds	18,717	3,790
Oils & Fats	67,150	1,272
Paints	—	273
Paper & Paperware	—	9,162
Piece Goods & Textiles	—	234,119
Railway Materials	—	6,900
Tobacco	—	465,000
Vehicles	—	125

Wearing Apparel	—	66,575
Sundries	116,532	99,791
Total	771,707	1,073,356

SOUTH AFRICA

Articles	Imports	Exports
	\$	\$
Chemicals & Drugs	16,190	—
Chinese Medicines	—	6,157
Dyeing & Tanning Materials	48,613	—
Foodstuffs & Provisions	6,350	43,809
Hardware	—	706
Manures	32,216	—
Nuts & Seeds	—	1,341
Oils & Fats	—	17,855
Paper & Paperware	—	266
Piece Goods & Textiles	—	23,537
Wearing Apparel	10,040	47,818
Sundries	772,200	1,764,663
Total	885,609	1,906,152

WEST AFRICA

Articles	Imports	Exports
	\$	\$
Chemicals & Drugs	—	10,200
Piece Goods & Textiles	—	11,991
Wearing Apparel	—	149,869
Sundries	—	63,631
Total	—	235,691

WEST INDIES

Articles	Imports	Exports
	\$	\$
Chinese Medicines	—	1,630
Foodstuffs & Provisions	—	15,350
Liquors, Intoxicating	584	929
Nuts & Seeds	—	440
Piece Goods & Textiles	—	480
Wearing Apparel	—	7,863
Sundries	—	15,906
Total	584	42,600

BRITISH EMPIRE, OTHER

Articles	Imports	Exports
	\$	\$
Chinese Medicines	—	20,461
Foodstuffs & Provisions	1,789,015	93,262
Hardware	—	29,253
Liquors, Intoxicating	—	560
Nuts & Seeds	39,509	778
Oils & Fats	—	114,754
Paints	—	1,547
Paper & Paperware	—	1,709
Piece Goods & Textiles	—	484,120
Wearing Apparel	5,010	84,213
Sundries	21,000	325,408
Total	1,854,534	1,156,065

BELGIUM

Articles	Imports \$	Exports \$
Building Materials	291,258	—
Chemicals & Drugs	94,148	28,235
Chinese Medicines	—	8,736
Dyeing & Tanning Materials	33,482	—
Foodstuffs & Provisions	17,605	3,168
Hardware	24,675	—
Machinery & Engines	26,500	—
Manures	558,466	—
Metals	2,276,972	—
Nuts & Seeds	—	1,353
Oils & Fats	—	2,921,062
Paints	140,938	—
Foodstuffs & Provisions	229,687	—
Piece Goods & Textiles	165,363	14,400
Tobacco	2,498	—
Sundries	217,374	46,386
Total	4,078,966	3,023,340

CHINA, NORTH

Articles	Imports \$	Exports \$
Building Materials	664	—
Chemicals & Drugs	7,200	222,890
Chinese Medicines	300,878	33,098
Dyeing & Tanning Materials	—	890,547
Foodstuffs & Provisions	1,008,199	1,862,053
Fuels	—	60,000
Hardware	240,491	12,846
Liquors, Intoxicating	58,832	96,327
Machinery & Engines	8,630	1,200
Metals	—	176,011
Nuts & Seeds	92,152	8,300
Oils & Fats	78,604	4,173,033
Paints	40,542	18,656
Paper & Paperware	4,749	104,028
Piece Goods & Textiles	2,143,702	—
Tobacco	290	1,096
Vehicles	1,700	74,182
Wearing Apparel	65,017	10
Sundries	325,168	1,009,476
Total	4,376,818	8,743,753

CHINA, MIDDLE

Articles	Imports \$	Exports \$
Animals, Live	156,100	—
Building Materials	1,950	67,800
Chemicals & Drugs	7,880	131,722
Chinese Medicines	18,541	329,126
Dyeing & Tanning Materials	1,080	21,631
Foodstuffs & Provisions	1,367,047	90,077
Hardware	37,630	1,468
Liquors, Intoxicating	21,000	244
Machinery & Engines	—	7,749
Manures	—	249,202
Metals	28,004	127,293

Nuts & Seeds	8,744	4,660
Oils & Fats	2,020	513,108
Paints	—	51,632
Paper & Paperware	193,210	190,217
Piece Goods & Textiles	129,834	244,887
Vehicles	—	36,361
Sundries	472,579	164,122
Total	2,445,619	2,231,290

CHINA, SOUTH

Articles	Imports \$	Exports \$
Animals, Live	2,465,670	—
Building Materials	532,261	677,199
Chemicals & Drugs	48,893	1,126,539
Chinese Medicines	195,332	159,088
Dyeing & Tanning Materials	256,162	743,962
Foodstuffs & Provisions	4,293,630	52,192
Fuels	590,694	7,025
Hardware	50,164	48,574
Liquors, Intoxicating	1,920	3,571
Machinery & Engines	16,920	39,361
Manures	—	187,296
Metals	4,094,226	1,000,824
Nuts & Seeds	430,144	28,085
Oils & Fats	10,575,880	3,142,557
Paints	—	102,219
Paper & Paperware	251,036	906,010
Piece Goods & Textiles	1,402,576	996,374
Tobacco	1,900	350
Vehicles	—	129,164
Wearing Apparel	64,553	400
Sundries	1,828,658	2,058,080
Total Merchandise	27,100,619	11,408,870
Treasure	—	392,000
Grand Total	27,100,619	11,800,870

CUBA

Articles	Imports \$	Exports \$
Foodstuffs & Provisions	—	56,457
Liquors, Intoxicating	—	2,880
Sundries	—	2,205
Total	—	61,542

CENTRAL AMERICA

Articles	Imports \$	Exports \$
Chinese Medicines	—	2,091
Foodstuffs & Provisions	16,224	46,847
Hardware	—	1,020
Nuts & Seeds	—	3,299
Paints	8,822	—
Piece Goods & Textiles	—	51,340
Wearing Apparel	—	2,095
Sundries	—	102,746
Total	25,046	209,438

DENMARK

Articles	Imports \$	Exports \$
Chemicals & Drugs	48,627	—
Chinese Medicines	—	1,240
Liquors, Intoxicating	4,400	—
Machinery & Engines	14,813	—
Paints	10,374	—
Sundries	19,200	105
	1,702	630
Total	99,116	1,975

EGYPT

Articles	Imports \$	Exports \$
Chinese Medicines	—	13,974
Foodstuffs & Provisions	4,538	17,550
Oils & Fats	—	238,188
Tobacco	1,244	—
Wearing Apparel	—	2,750
Sundries	25,587	111,823
Total	31,369	384,285

FRANCE

Articles	Imports \$	Exports \$
Building Materials	406,442	—
Chemicals & Drugs	43,186	8,400
Chinese Medicines	—	16,375
Dyeing & Tanning Materials	172,768	50,400
Foodstuffs & Provisions	11,410	7,290
Liquors, Intoxicating	94,565	—
Metals	207,283	—
Minerals & Ores	—	463,961
Nuts & Seeds	—	2,016
Oils & Fats	—	6,917,282
Paper & Paperware	38,330	—
Piece Goods & Textiles	65,330	279,832
Sundries	109,441	200,799
Total	1,148,755	7,946,355

FRENCH INDO CHINA

Articles	Imports \$	Exports \$
Building Materials	—	25,465
Chemicals & Drugs	17,333	55,630
Chinese Medicines	24,122	214,077
Foodstuffs & Provisions	429,648	939,043
Hardware	—	45,779
Liquors, Intoxicating	—	7,925
Machinery & Engines	—	6,617
Metals	125,400	88,090
Nuts & Seeds	42,204	34,649
Oils & Fats	4,200	9,071
Paints	41,573	6,180
Paper & Paperware	1,600	38,374
Piece Goods & Textiles	41,440	13,618
Tobacco	—	42,900

Vehicles	—	44,678
Wearing Apparel	—	1,000
Sundries	567,012	140,056

Total 1,294,532 1,713,152

GERMANY

Articles	Imports \$	Exports \$
Oils & Fats	—	739,200
Total	—	739,200

HOLLAND

Articles	Imports \$	Exports \$
Building Materials	29,930	—
Chemicals & Drugs	15,101	14,550
Chinese Medicines	—	60,480
Dyeing & Tanning	—	—
Materials	33,600	140
Foodstuffs & Provi- sions	624,579	140
Hardware	39,678	—
Machinery & En- gines	4,660	—
Metals	258,951	—
Oils & Fats	2,200	4,672,872
Paints	8,884	—
Paper & Paper- ware	76,775	—
Piece Goods & Textiles	169,240	—
Sundries	114,513	49,460
Total	1,378,111	4,797,642

ITALY

Building Materials	2,256	—
Foodstuffs & Provi- sions	—	3,650
Hardware	7,812	—
Metals	147,028	—
Minerals & Ores	6,202	—
Nuts & Seeds	—	399,400
Oils & Fats	—	1,721,350
Piece Goods & Textiles	250,714	—
Vehicles	12,960	13,000
Wearing Apparel	95,781	—
Sundries	38,841	224,963
Total	561,594	2,362,363

JAPAN

Articles	Imports \$	Exports \$
Foodstuffs & Provi- sions	52,000	800,000
Fuels	305,190	—
Liquors, Intoxicat- ing	—	16,353
Oils & Fats	—	620,235
Piece Goods & Textiles	4,176,912	96,787
Vehicles	—	124,371
Sundries	228,413	9,800
Total	4,762,515	1,667,546

KWONG CHOW WAN

Articles	Imports \$	Exports \$
Animals, Live	200,000	—
Chemicals & Drugs	—	1,059
Chinese Medicines	7,760	—
Foodstuffs & Provi- sions	144,490	—
Metals	19,008	3,180
Oils & Fats	—	24,316
Paper & Paper- ware	—	750
Sundries	102,223	7,280
Total	473,481	36,585

MACAO

Articles	Imports \$	Exports \$
Animals, Live	37,660	—
Building Materials	9,421	98,799
Chemicals & Drugs	5,510	366,712
Chinese Medicines	115,948	77,222
Dyeing & Tanning	—	—
Materials	3,478	289,112
Foodstuffs & Provi- sions	1,486,378	1,581,253
Fuels	152,504	5,860
Hardware	1,100	14,294
Liquors, Intoxicat- ing	109,966	57,665
Machinery & En- gines	5,250	9,280
Manures	—	228,479
Metals	109,524	299,150
Minerals & Ores	172,446	—
Nuts & Seeds	26,640	134,866
Oils & Fats	262,773	884,091
Paints	—	80,025
Paper & Paper- ware	36,275	1,295,854
Piece Goods & Textiles	620,655	740,622
Tobacco	20,370	1,211,609
Vehicles	—	165,489
Wearing Apparel	45,000	29,148
Sundries	1,178,273	1,615,463
Total	4,399,171	9,184,993
Merchandise	4,399,171	9,184,993
Treasure	—	3,115,000
Grand Total	4,399,171	12,299,993

NORWAY

Articles	Imports \$	Exports \$
Foodstuffs & Provi- sions	13,000	—
Oils & Fats	—	46,200
Paper & Paper- ware	1,722,561	—
Sundries	5,326	112,347
Total	1,740,887	158,547

NETHERLANDS EAST INDIES

Articles	Imports \$	Exports \$
Building Materials	—	4,880
Chemicals & Drugs	—	26,712
Chinese Medicines	840	420,735
Dyeing & Tanning	—	—
Materials	65,640	773

Foodstuffs & Provi- sions	108,523	493,844
Fuels	—	138
Hardware	—	30,068
Liquors, Intoxicat- ing	—	10,711
Machinery & En- gines	—	4,335
Metals	118,886	9,980
Nuts & Seeds	—	2,726
Oils & Fats	577,700	15,154
Paints	—	8,328
Paper & Paper- ware	—	74,531
Piece Goods & Textiles	—	2,714,065
Tobacco	—	200,642
Vehicles	—	450
Wearing Apparel	—	805,504
Sundries	232,432	757,056
Total	1,104,021	5,580,932

PHILIPPINES

Articles	Imports \$	Exports \$
Building Materials	—	54,690
Chemicals & Drugs	—	180
Chinese Medicines	—	104,109
Dyeing & Tanning	—	700
Foodstuffs & Provi- sions	125,142	3,209,236
Hardware	18,100	483,029
Liquors, Intoxicat- ing	4,000	28,760
Machinery & En- gines	21,506	—
Manures	—	44
Metals	370,798	535,846
Nuts & Seeds	—	94,027
Oils & Fats	222,550	8,379
Paints	—	55,963
Paper & Paper- ware	14,925	165,360
Piece Goods & Textiles	24,318	692,125
Tobacco	10,260	—
Wearing Apparel	30,696	337,484
Sundries	299,601	1,061,588
Total	1,141,896	6,831,520

PORTUGAL

Articles	Imports \$	Exports \$
Liquors, Intoxicat- ing	410	—
Total	410	—

SIAM

Articles	Imports \$	Exports \$
Building Materials	391,443	42,910
Chemicals & Drugs	—	133,786
Chinese Medicines	—	275,138
Dyeing & Tanning	—	215,640
Foodstuffs & Provi- sions	1,308,246	955,291
Fuels	17,680	690
Hardware	—	236,536
Machinery & En- gines	—	11,958

Metals	—	392,727
Nuts & Seeds ..	449,140	37,369
Oils & Fats	1,910,920	73,173
Paints	—	46,683
Paper & Paperware	—	477,808
Piece Goods & Textiles	—	2,272,927
Railway Materials ..	540,470	—
Vehicles	—	177,390
Wearing Apparel ..	—	480,568
Sundries	525,173	770,526
Total	5,143,072	6,601,130

SOUTH AFRICA

Articles	Imports \$	Exports \$
Chemicals & Drugs	291,110	—
Chinese Medicines	—	715
Dyeing & Tanning Materials	81,233	—
Foodstuffs & Provisions	—	18,755
Hardware	—	400
Liquors, Intoxicating	420	—
Paper & Paperware	—	600
Wearing Apparel	100,000	—
Sundries	57,200	57,675
Total	529,963	78,145

SWEDEN

Articles	Imports \$	Exports \$
Chemicals & Drugs	59,590	—
Chinese Medicines	—	30,240
Hardware	1,776	—
Liquors, Intoxicating	7,857	—
Machinery & Engines	336	—
Metals	3,541	—
Minerals & Ores	—	248,040
Paper & Paperware	1,962,002	—
Sundries	332,593	2,390
Total	2,367,695	280,670

SWITZERLAND

Articles	Imports \$	Exports \$
Chemicals & Drugs	328,160	—
Dyeing & Tanning Materials	292,843	—
Machinery & Engines	3,348	—
Piece Goods & Textiles	6,434	—
Sundries	464,395	—
Total	1,095,180	—

SPAIN

Articles	Imports \$	Exports \$
Liquors, Intoxicating	12,338	—
Sundries	—	450
Total	12,338	450

U. S. A.

Articles	Imports \$	Exports \$
Building Materials	115,641	—
Chemicals & Drugs	2,458,937	38
Chinese Medicines	973,686	343,713
Dyeing & Tanning Materials	4,135,047	76,772
Foodstuffs & Provisions	1,790,832	1,250,984
Hardware	381,987	11,801
Liquors, Intoxicating	66,527	—
Machinery & Engines	786,459	—
Manures	4,035	—
Metals	2,710,465	292,015
Minerals & Ores	3,274	390,604
Nuts & Seeds	17,030	1,672,765
Oils & Fats	795,668	2,376,778
Paints	376,331	—
Paper & Paperware	1,071,217	10,454
Piece Goods & Textiles	1,059,288	130,452
Tobacco	618,289	3,495
Vehicles	993,278	—
Wearing Apparel	788,831	399,902
Sundries	4,525,913	4,447,831
Total Merchandise	23,672,735	11,407,104
Treasure	—	1,455,050
Grand Total	23,672,735	12,862,154

U. S. S. R.

Articles	Imports \$	Exports \$
Chinese Medicines	—	18,992
Fuels	876,360	—
Total	876,360	18,992

AFGHANISTAN

Articles	Imports \$	Exports \$
Foodstuffs & Provisions	—	590
Machinery & Engines	3,640	—
Wearing Apparel	2,240	—
Total	5,880	590

AUSTRIA

Articles	Imports \$	Exports \$
Foodstuffs & Provisions	—	118
Paper & Paperware	35,853	—
Total	35,853	118

CZECHOSLOVAKIA

Articles	Imports \$	Exports \$
Building Materials	15,040	—

Hardware	1,210	—
Paper & Paperware	672,086	—
Piece Goods & Textiles	8,905	—
Vehicles	3,000	—
Sundries	22,321	—
Total	722,562	—

EL HASA

Articles	Imports \$	Exports \$
Piece Goods & Textiles	—	56,623
Total	—	56,623

FINLAND

Articles	Imports \$	Exports \$
Paper & Paperware	678,979	—
Sundries	4,340	—
Total	683,319	—

IRAN

Articles	Imports \$	Exports \$
Foodstuffs & Provisions	—	82,300
Piece Goods & Textiles	—	163,979
Total	—	246,279

IRAQ

Articles	Imports \$	Exports \$
Oils & Fats	—	91,868
Sundries	—	26,423
Total	—	118,291

OMAN

Articles	Imports \$	Exports \$
Chinese Medicines	—	4,080
Foodstuffs & Provisions	10,152	—
Total	10,152	4,080

POLAND

Articles	Imports \$	Exports \$
Chemicals & Drugs	4,960	—
Metals	71,599	—
Total	76,559	—

PORTUGUESE EAST AFRICA

Articles	Imports \$	Exports \$
Chinese Medicines	—	353
Foodstuffs & Provisions	134,376	2,154
Hardware	—	18,388
Piece Goods & Textiles	—	5,110
Wearing Apparel	—	26,468
Sundries	—	39,944
Total	134,376	92,417

SYRIA

Articles	Imports \$	Exports \$
Sundries	—	94,604
Total	—	94,604

TURKEY

Articles	Imports \$	Exports \$
Piece Goods & Textiles	—	30,223
Sundries	—	254,899
Total	—	285,122

KOREA

Articles	Imports \$	Exports \$
Building Materials	—	48,000
Chemicals & Drugs	—	42,304
Dyeing & Tanning Materials	—	35,300
Foodstuffs & Provisions	—	72,020
Metals	—	67,000
Oils & Fats	—	962
Paints	—	1,650
Paper & Paperware	—	365,610

Piece Goods & Textiles	Imports \$	Exports \$
Vehicles	—	1,023,075
Wearing Apparel	—	12,420
Sundries	—	8,000
Total	—	687,481

ALL OTHER COUNTRIES

Articles	Imports \$	Exports \$
Chinese Medicines	—	38,358
Foodstuffs & Provisions	—	2,995
Oils & Fats	325,234	—
Paper & Paperware	—	1,118
Piece Goods & Textiles	—	12,900
Wearing Apparel	—	305
Sundries	—	23,629
Total	325,234	79,305

REPORT ON THE POLITICAL AND GENERAL POSITION IN THE PHILIPPINE REPUBLIC

On July 4th the Philippine Commonwealth, which since its creation in 1936 has been under the ultimate sovereignty of the United States, became a fully independent Republic. This is in accordance with the provisions of the Tydings-McDuffie Act, passed by Congress in 1935, which conferred a post-dated independence on the Philippines, to be preceded by a ten years' interim period of domestic autonomy with control of defence and foreign affairs reserved to Washington and an American Presidential veto on Philippine legislation. Within this period the Japanese-American war has been begun and finished—mainly, so far as land fighting was concerned, on Philippine soil; amid the ruins, the date fixed for independence has remained unaltered, but it is an independence different in kind from what was contemplated in 1935, and the Tydings-McDuffie Act has already been modified in important matters.

The Colonisation of the Islands

The Philippines have been a colonial territory, first of Spain and then of the United States. In both phases of this history they have been colonised across the Pacific and not, like India, Malaya, Java or Annam, by Europeans, voyaging round Africa or through the Suez Canal. Magellan discovered them by westward sailing in the first circumnavigation of the world; Legaspi conquered them with an expedition sent out from Mexico. Among Asiatic countries, therefore, the Philippines have a peculiar historical connection with the Americas. Culturally they have been in a special way detached from Asia because the great bulk of the population, having only a primitive culture at the time of the Spanish conquest, was converted to Christianity, and the association with the West has thus been far closer than it has been for neighbouring Asiatic countries where Western rule or ascendancy and "westernisation" of ideas and institutions have been imposed on traditional cultures which are Hindu, Moslem, Buddhist or Confucian. The predominant flavour of Filipino life, except in the Moslem "Moro" districts of Sulu and Mindanao, is Latin American; it is nearer to Mexico than to Annam or Borneo. Nearly half a century of schooling by the United States has merely accentuated the separation from Asia without decisively modifying the strong imprint of over three centuries of Spanish Catholic tutelage.

America's Civilisational Conquest of the Islands

The Filipinos themselves, however nationalist they may be, have, in general, an American rather than an Asiatic

orientation; they have been very unresponsive to all kinds of Pan-Asianism, and they look to America for protection against any fresh manifestation of the resurgent East. They have endured a Japanese occupation and they do not want anything of the kind again. The American War and Navy Department do not seem to have had any great difficulty in getting all they want in the archipelago; indeed, the Filipino politicians have apparently been greatly relieved to find that the Americans now want to stay. Before the war, when isolationism was at its peak in America, there was strong pressure for getting out of the Philippines, lock, stock and barrel, on the ground that they were outside the proper defence system of the Western Hemisphere and that outposts there would be a sure way of involving America in war. Many Americans asked why America should be responsible for defending the Philippines if the Philippines were going to be independent; they said people who wanted to be independent ought to look after themselves. The Filipinos, on the other hand, wanted both to be independent and to be protected by the United States. Now they are going to achieve their desire, for sovereign independence has been conferred upon them, while the American military and naval establishment is to be larger and more potent than when the islands were under American sovereignty. The Filipinos have mildly reproached Uncle Sam for having involved the Philippine Commonwealth in a policy of pressure on Japan through economic embargoes and strategic threats and then lamentably failed to defend the islands against Japanese invasion. The American conscience has not been altogether unaffected by this memory, and there has certainly been some thinking on the theme that successful defence is better for a country than reconquest. But it is not ungenerous to suggest that the post-war American ardour for building up real strength, instead of merely token power, in the western Pacific is not inspired only by a sense of duty towards the Filipinos. In 1946 there seems to be a revival of the thought, vaguely projected in the expansive days of 1899 but subsequently rather at a discount, that possession or strategic control of the Philippines makes the United States a Great Power of East Asia, as otherwise it would not be.

In the original Tydings-McDuffie Act the United States was to retain after 1946 only a right to naval bases in the Philippines; no continued stationing of troops in the islands was provided for. Land defence was to be entrusted to a Filipino national army to be trained in the interim period by General MacArthur, who started as its first Field-

Marshal. General Eisenhower has now stated that by agreement with the Philippine Government more American troops will be kept there than were stationed before the war. Moreover, the naval establishment will include at least one base for a battle fleet, whereas the pre-war American strategic system provided for no battle-fleet base west of Pearl Harbour.

America's Economic Protection of the Philippines

In the economic field, likewise, the Philippines are to combine the satisfactions of sovereign independence with the benefits of an American protectorate. In the Act of 1935 it was intended that independence should put the Philippines outside the United States tariff wall; indeed, the most busy lobby in support of granting independence was that of the sugar interests, which desired to eliminate the competition of Philippine sugar in the American market. In Congressional voting-power, the interests which wanted to exclude Philippine products were stronger than those which were concerned with an open market for exports in the Philippines and, with these allies, anti-colonial idealism won an easy victory. But the very reasons which made certain business interests in America want to confer freedom on the Filipinos made that freedom economically a very inconvenient gift for its recipients. The economy of the Philippines since the American conquest had been determined by their inclusion in the free trade area behind the American tariff wall; exports to America, particularly of sugar, had become the pivot of the system. Once outside the wall, the Philippines would either have to find alternative markets for the same or different products or else undergo a catastrophic decline of prosperity. The Filipino nationalist leaders who had risen to power by exciting the passion for national independence did not dare to renounce their sacred aim, but behind the scenes they made plaintive appeals to Washington not to cut them off entirely from commercial preference and meanwhile they looked round to see what else was available if Congressional hearts were too stony. There was Japan, with its expanding industry, not indeed much good for sugar (which the Japanese bought from Formosa), but anxious to obtain Philippine copper, manganese, chrome and iron ore, which for various reasons had never been exploited on an important scale for the American market. It was partly in this way that, with an eye on the future, certain Filipino politicians and business men formed close connections with Japan before 1941, and under the Japanese occupation, when the Philippines were in any case cut off from the American market, some of them did not do too badly for themselves. But now the Japanese market has gone, too, and there is as yet no other Far Eastern market with a large effective demand for Philippine products; at the same time, the country

is in great economic difficulties from war-time devastation—including the partial destruction of Manila and other principal cities—and even agriculture has been disastrously set back by the heavy loss of livestock slaughtered for food by the Japanese. So the Filipinos had once more to appeal to Washington for a mitigation of the economic terms of independence, and this time they were on stronger ground; they alone of communities under the American flag had to endure enemy invasion on their own soil, and the American people, who had failed to protect them, surely owed them some practical recognition of their loyalty (about which American propaganda had boasted so much) and compensation for their sufferings. The American conscience recognised the justice of this claim and in the end passed the necessary legislation, though a Congressional "log-jam" held it up for months while the Filipinos waited among their ruins and were even driven to appeal to UNRRA for a little relief on account.

The New Economic Policy of the U.S.A. in the Philippines

Congress has now granted the Philippines a sum for post-war rehabilitation and an extension of free trade for eight years after independence, to be followed by a gradual raising of American tariff rates over a period of twenty years. This is something very similar to "empire preference," and it is not surprising that some critics have regarded it as somewhat inconsistent with the American pressure for abolition of such preferences within the British Commonwealth. It does not seem, however, that such a modification of the Tydings-McDuffie Act would ever have been brought about in Washington on purely economic grounds. The dislike of powerful American capitalist groups for the competition of Philippine products—and also of American labour unions for the immigration of Filipinos—remains, and it is unlikely that even the increased American interest in export markets would have been sufficient to overcome it. The new economic policy towards the Philippines is partly prompted by a sense of obligation—to enable the new Republic to make a good start after the close American-Filipino partnership of the war years and the blood shed in Bataan and Leyte. But there is also an element of political prudence, connected with the strategic stake in the archipelago. It is no use having bases in a country where there is neither political stability nor an attitude of co-operation, and if the Philippines were to be reduced to a condition of permanent economic distress, a dangerous social and political unrest would be the inevitable consequence. Such unrest has been only too apparent since the liberation, and has caused much alarm to the American military authorities. Peasant guerillas who were useful enough in the war against Japan have been a problem since the end of hostilities; some have taken

to brigandage and others have come under the influence of Communist ideas. Violent revolution and civil war in the Philippines were judged by some observers a few months ago to be more than a remote possibility. The Americans want a democracy in the Philippines, but they also want an orderly and stable government, and for this purpose substantial economic aid is necessary.

Internal Politics

The aid will now go to the Administration of President Roxas, who was victorious in the elections by a not very wide margin over his opponent, Sergio Osmena. Before the war, Philippine politics were dominated by the Nationalist Party, which, having led the agitation for independence and created an efficient electoral machine throughout the country, was virtually immune from challenge by the small opposition groups. The Nationalist Party itself, however, was threatened by internal factions and particularly by the personal rivalry between the Spanish-Tagalog Quezon, who had his main support in Luzon, and the Chinese-Visayan Osmena, whose following was strong in the southern islands. A compromise was reached for the 1940 elections whereby Quezon ran for the Presidency and Osmena for the Vice-Presidency on the Nationalist ticket; it was this Government which went into exile in America when the Japanese overran Manila. Quezon died during the war and Osmena automatically succeeded to the Presidency. But after the liberation the former Quezon faction put up Roxas to run against Osmena, and most of the old Nationalist Party bosses supported his candidature; faced with this opposition, Osmena formed a coalition of Left inclination with a Communist fringe. The election was fought with great bitterness; Roxas was attacked as "the collaborators' candidate," and indeed his wartime record was hardly heroic—he remained in the Philippines and even held an office under the Japanese, though he was cleared of actual collaboration by General MacArthur—and the behaviour of some of his backers had been even more ambiguous. The Roxas faction replied with charges that Osmena had sold himself to the Communists. Many Filipinos, rightly or wrongly, seem to have had the impression that the American authorities preferred Roxas and that the pork-barrel would be larger if he were elected. He was elected, and is now the first President of the Philippine Republic, with a difficult task of reconstruction ahead but with more hope of external economic support than most war-ravaged countries enjoy.

The Hukbalahap Militant Opposition

The guerilla rebels of the Philippines, whose name has given rise to some innocent merriment in the British press, have pushed their way into the news

within a month of the ceremonial proclamation of Philippine independence. It is hard indeed that the honeymoon of the Filipino nation and the sovereign Republic, whose wedding was celebrated with such a wealth of American benediction, should be marred by these ugly scenes which have been unkindly reported to the whole world. But in fact the trouble has been going on ever since the islands were liberated from Japanese occupation. Before the war there was considerable agrarian unrest in the Philippines owing to the prevalence of large estates and the poverty-stricken condition of the share-cropping tenants, aggravated by rural overpopulation in certain areas. American rule did little to interfere with a system of agrarian relations inherited from Spanish colonial days, and under President Quezon power was shared in effect between the great landowning families and the business men and lawyers of Manila. But the war for the time being disrupted the political and social order and peasant guerillas were supplied with American arms for fighting the Japanese; at the same time, the widespread devastation and the slowness of economic recovery after the end of the war meant hard times and unemployment and gave added attraction to the guerilla life with its patriotic or revolutionary rights of requisitioning.

There have in addition been idealist aspirations for a new society stirred up by war-time propaganda and excitement; the Filipino has a long revolutionary tradition which, with the satisfaction of the desire for national independence, is more and more taking a social form. Actually, the demands of the Hukbalahaps appear to be very moderate; they are said to claim a 60-40 split of the crop in the tenant's favour and 50-50 division of expenses instead of the 50-50 system of share-cropping previously in force. The Roxas Government is willing to concede some of their claims and is promising large land purchases by the State with re-sale to the peasants on easy terms, but insists that the Hukbalahaps first lay down their arms; this they are apparently unwilling to do, perhaps because they fear that the official memory for promises may be defective unless refreshed from time to time with the admonition of machine-guns. There is no reason to suppose that the new Philippine Government is in any danger of being overthrown by these disturbances; they are nevertheless embarrassing for the Republic and hardly less so for the United States which, though no longer formally responsible in any way for Philippine internal affairs, is still closely affected by any disorder in the archipelago on account of the special economic and strategic relations which continue to link Washington and Manila.